

**AN
ECONOMIC HISTORY
OF NEPAL,
1846-1901**

Mahesh C. Regmi

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To

LEO E. ROSE

Preface

This volume is the final part of the sequel promised in the author's *Thatched Huts and Stucco Palaces : Peasants and Landlords in 19th Century Nepal* (New Delhi : Vikas Publishing House Private Ltd., 1978), the first part being *The State and Economic Surplus : Production, Trade, and Resource-Mobilization in Early 19th Century Nepal* (Varanasi : Nath Publishing House, 1984). It covers the early period of Rana rule in Nepal, that is, the period between 1846 and 1901, when the foundations of the Rana political and administrative system were laid and consolidated by Prime Ministers Jung Bahadur (September 1846–August 1856, and May 1857–March 1877), Ranoddip Simha (March 1877–November 1885), and Bir Shumshere (November 1885–March 1901).

The objective of this volume is to study the economic history of Nepal during the period mentioned above. The fiscal system has been chosen as the main theme in the belief that it provides a key to an understanding of the working of the economy as a whole. Accordingly, the first chapter describes the internal political and economic situation and the external environment at the beginning of Rana rule. The general characteristics of the Kingdom's fiscal system are described in Chapter 2, while Chapter 3 describes the systems of fiscal administration that were followed in different regions of the Kingdom. Chapter 4 contains an account of the agrarian tax system, the biggest source of revenue during that period. The next three chapters deal with revenues from the state sector in the fields of agriculture (Chapter 5), mining (Chapter 6), and forests (Chapter 7). The general pattern of the Kingdom's internal and external trade forms the subject-matter of Chapter 8 as a background for a discussion of the system of commercial taxation (Chapter 9), and state intervention

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in trade (Chapter 10). The final chapter contains some broad observations on the nature of the fiscal system of the Kingdom during the early Rana period. The reader is requested to realize that this is not a study of the political economy of Rana Nepal, but only of the fiscal system of the Rana state.

The author makes no claim that he has gone through all existing materials on the subject; rather, he has taken care to ensure that the passion for acquiring data does not become a substitute for the harder job of interpretation. No such study of the Kingdom's economy during the nineteenth century has ever been attempted, hence the question of depending on secondary sources did not arise. The study, therefore, relies mainly on primary sources, both published and unpublished. Contemporary sources of British official origin have been used where possible, but the bulk of the information contained in the study has been drawn from the archival materials in the possession of the Department of Land Revenue in the Ministry of Finance of His Majesty's Government. The author is grateful to the appropriate authorities of His Majesty's Government for permission to use those materials.

It is by no means the intention of the author to forestall criticism, but a few words of explanation on the choice of methodology may not be out of place. What the author has attempted in these pages is to devise a conceptual framework within which historical facts pertaining to the fiscal aspects of Nepal's economy can be assembled and interpreted. Such a study should help to underline the organic linkage among different aspects of the economy, facilitate a total and general perspective, and pave the way for theories and theoretical models on its dynamics. To those who might regard the study as long on description and short on analysis, the author can only repeat the observation that he had made in the preface to *The State and Economic Surplus*, that the ground plan of the whole edifice of the study should itself serve the purpose of an analytical framework.

More than fifteen years ago, in the preface to *A Study in Nepali Economic History, 1768-1846*, (New Delhi: Manjusri Publishing House, 1971), the author had claimed that "in not confining his attention to wars, dynastic chronologies and political intrigues in Kathmandu as a fitting and, indeed, the only subject-matter of historical study, he has set up a precedent in Nepali historiography". The intervening years have done nothing to qualify the claim. Regrettably, this new genre seems to be at variance with the traditional Nepali view of history. Such an unorthodox stand needs a few words of explanation. It is based on two different points of view with respect to the past—one represented by the Sanskrit/Nepali term *Itihasa*, and the other by the Greco-Latin term History. The term *Itihasa*, like the Germanic word *Geschichte*, denotes an account of what happened in the past (*Itiha + Asa = Thus it was*). In contradistinction, the Greek verb at the root of History is *histerein*, to inquire, hence the term denotes a more critical tendency, with the accent on subjective interpretation. The author has tried to explain this distinction because he has found the traditional Nepali mind generally incapable of grasping the concept of history in the Greco-Latin tradition. This incapability seems to have two manifestations. In the first place, there is an obsession with "facts", relegating interpretation, the life-blood of history, to a secondary position. The movement for writing a "true" history, or a "national" history of Nepal may be regarded as a product of that obsession. Secondly, there is the failure to realize that history is a multi-dimensional field in which historical facts can be observed, selected, and interpreted in many different ways, so that the form and content of history are shaped as much by the events of the past as by the perceptions of the historian, or that the basic theme of one study can be used to serve only the secondary purpose of a background for another study, or even that a volume may deal with one particular theme to the exclusion of others during the same chronological period.

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The author can, therefore, only hope that his effort, as part of man's eternal quest for knowledge, will stimulate deeper studies on the subject, as well as alternative interpretations of the material, and conclude, in the words of Thucydides, that "my work is not a piece of writing designed to meet the taste of an immediate public."

June 1, 1987.
Regmiville, Lazimpat,
Kathmandu.

Mahesh C. Regmi.

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CHAPTER I

The Setting

This book represents an attempt to study the economic history of Nepal from 1846, when the Kingdom came under the rule of the Rana family, to the end of the nineteenth century. The relevance of such a study to the problems of the present hardly needs an explanation. Rana rule came to an end about 104 years later, in early 1951, and many of the economic problems that the Kingdom faces today owe their origin to the policies and programs followed by the Rana rulers. An adequate understanding of those policies and programs should, therefore, prove indispensable in tackling current economic problems. In any case, a study of the economic history of the Kingdom during a period when the foundations of its social and economic life underwent a transformation that set the tone of its development well into recent times should hardly need an apology.

Economic history, however, is a wide-ranging field. It can be studied from many angles, and, indeed, from even opposite angles. A study of the fiscal system from the viewpoint of the state, for example, would be as appropriate a subject in the study of economic history as agricultural tenures, rural indebtedness, slavery, and compulsory labor systems, which have

a more direct impact on how the common people earn their living, and what factors affect their economic life. A broad study inter-relating both or more of these perspectives would, of course, be an ideal venture. However, in the present state of our knowledge, it would mean little more than an attempt at integration before laying the groundwork through analytical studies. The alternative would be to have different chapters on different themes, with little or no indication of the extent to which they are interrelated.

Our objective in this volume is to study the economic history of Nepal with the fiscal system as the main theme. Lest this choice should appear to have unduly limited the scope of the study, it needs to be made clear that the fiscal system of any country concerns matters dealing with the public economy, that is, the financial provision for meeting the wants of the state. It encompasses a much broader segment of economic history than would appear at first sight, because "determination of appropriate measures for raising funds implies an understanding of the flow of production and income through the private economy, and, therefore, of the way the whole economy works".¹ A study of the fiscal system also helps us to determine the stage of economic development during any specific period, inasmuch as "each economic and political stage has its appropriate form of public revenues."²

The fiscal system is not a discrete segment of the economy which can be studied meaningfully in isolation from such diverse factors as politics, administration, the state of transport and communications, and a multitude of external factors as well. We shall, therefore, devote the first chapter of this study to a discussion of those factors and begin with an account of

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1. Philip E. Taylor, *The Economics of Public Finance* (New Delhi : Oxford and IBH Publishing Co., 1974), p. 3.
 2. Edwin R. A. Seligman, "Public Finance", in *Encyclopaedia of the Social Sciences* (New York : MacMillan, 1963), Vols. XI-XVI, p. 640.

political developments in Nepal during the latter part of the nineteenth century, the nature and impact of contemporary political and economic developments in India, the basic objectives of Rana rule, and the constraints that the Ranas faced in the realization of those objectives.

Political Changes in Nepal

The emergence of Rana rule marks a turning-point in the history of Nepal. To be sure, this event *per se* did not herald an era of change. It would not even be correct to say that the Ranas' economic policies and programs marked a radical departure from those followed by their predecessors. Rather, the Rana take-over of power synchronized with a number of internal and external developments which made it possible for the Rana rulers to adjust their economic policies and programs to the new situation and implement them in a more effective manner than their predecessors.

The events that led to the emergence of the Rana regime have been described elsewhere.³ In the present context, it may be sufficient to recapitulate that in September 1846, exactly 78 years after King Prithvi Narayan Shah of Gorkha laid the foundation of the modern Kingdom of Nepal with its capital in Kathmandu, Jung Bahadur Kunwar, a member of one of the aristocratic families who had followed Prithvi Narayan Shah from Gorkha to Kathmandu, was appointed Prime Minister. The appointment of a member of the Gorkhali aristocracy as head of the government was, of course, not a new phenomenon in Nepal's politics. Bhimsen Thapa, who belonged to a section of the same nobility with a status comparable to Jung Bahadur's, had risen in the same way and wielded power for about three

3. Bhuwan Lal Joshi and Leo E. Rose, *Democratic Innovations In Nepal : A Case Study of Political Acculturation* (Berkeley and Los Angeles, 1966), pp. 28-35; M. S. Jain, *The Emergence of a New Aristocracy in Nepal* (Agra : Sri Ram Mehra and Co., 1972), pp. 54-94.

decades during the early nineteenth century. Jung Bahadur's rise, however, had one important feature which set Rana rule apart from its predecessors. This was his success in establishing a system of family rule, whereas Bhimsen Thapa had assumed the Prime Ministership in his individual capacity.

The rule of Rana family was given constitutional status by a royal charter issued by King Surendra in the name of Jung Bahadur in August 1856⁴, when he had briefly resigned the Prime Ministership in favor of his brother, Bam Bahadur. That charter limited the right of succession to the Prime Ministership, which was to be for life, to the seniormost member in each generation of the Rana family, that is, of the families of Jung Bahadur and his six brothers. It invested Jung Bahadur with special powers to impose or commute capital punishment, to appoint or dismiss government officials, to declare war against or make peace with Tibet, China, and the British government or other foreign powers, to dispense justice and punishment to criminals, and to formulate new laws and repeal or modify old laws pertaining to the judicial and military departments. The charter, in addition, appointed Jung Bahadur as Maharaja of Kaski and Lamjung, two principalities located in the hill region west of Kathmandu which had been incorporated into the Gorkhali Kingdom during the 1780s. It empowered the Maharaja to appropriate revenues from all available sources and also exercise judicial authority in these territories, including the power to inflict capital punishment. In view of the traditional background of the *Rajya* system, which we shall explain in the next chapter, the grant by no means signified an exclusive or innovative favor, although it undoubtedly underlined Jung Bahadur's preeminence among the Gorkhali elites and conferred on him

4. For an abstract translation of the 1856 charter, see Satish Kumar, *Rana Polity in Nepal* (Bombay : Asia Publishing House, 1967), pp. 159-60. See also Joshi and Rose, *op. cit.*, pp. 35-39.

a number of economic benefits as well. The 1856 charter thus made the Rana Prime Minister the absolute ruler of the Kingdom and reduced the King to the position of a political nonentity. Both King Surendra and his grandson and successor, Prithvi Bir Bikram Shah, who reigned during the rest of the nineteenth century, were kept under strict surveillance by the Ranas and denied any actual role in political, administrative, or foreign affairs.

According to the roll of succession sanctioned by the 1856 charter, Bam Bahadur, next in seniority among the brothers of Jung Bahadur, became Prime Minister when Jung Bahadur voluntarily relinquished office in July 1856, but died within a year. Jung Bahadur then resumed the post of Prime Minister, combining it with the office of Maharaja of Kaski and Lamjung until his death in early 1877, when he was succeeded by another of his brothers, Ranoddip Simha (1877-85). Notwithstanding these constitutional arrangements, rivalry between two factions of the Rana family, comprising the sons of Jung Bahadur on the one side, and those of his youngest brother, Dhir Shumshere, on the other, culminated in the assassination of Ranoddip Simha in November 1885. Bir Shumshere, the eldest son of Dhir Shumshere, then became Prime Minister. A new roll of succession was drawn up, which entitled only the seniormost member in the families of Bir Shumshere and his brothers to succeed to the office of Prime Minister and thus disfranchised the other sections of the Rana family comprising the sons of Jung Bahadur and his other brothers. Bir Shumshere remained Prime Minister until his death in early 1901.

The history of Rana rule in Nepal is basically an account of how an impoverished family, which nevertheless ranked high in the social and political scale and belonged to Gorkha's traditional military aristocracy, was able to grab political power and use that power to build up a centralized state and administration. The government, under the Rana political system, merely func-

tioned "as an instrument to carry out the personal wishes and interests of the ruling Rana Prime Ministers", and "its main domestic preoccupation was the exploitation of the country's resources in order to enhance the personal wealth of the Rana ruler and his family"⁵. The situation may be contrasted with that prevailing in pre-industrial England, where landed property was "the foundation of political authority", and "the men who controlled parliament, the magistracy, and provincial and central administration, as well as their rivals for office, were rich in land."⁶

The External Scene

If the main domestic preoccupation of Rana rule was the exploitation of the country's resources in order to enhance the personal wealth of the Rana ruler and his family, the Rana rulers were fortunate in having a congenial external climate for engaging themselves in that preoccupation. This was so because the nature and scope of British rule in India changed dramatically during the middle of nineteenth century. In 1816, when a peace treaty was signed on the conclusion of the Nepal-Britain war, British India, that is, those parts of India that were directly governed by the East India Company, encompassed an insignificant part of the Indian sub-continent, mainly the territories of Bengal, Bihar, and Orissa, a tract to the north of

5. Joshi and Rose, *op. cit.*, pp. 38-39.

6. B. A. Holderness, *Pre-Industrial England : Economy and Society from 1500 to 1750* (London : J. M. Dent and Sons, 1976), p. 27. Even at the opening of the nineteenth century, "Britain was still ruled by landowners. In spite of the fact that the industrial middle classes were growing wealthy, important, and powerful, landowners controlled the three organs of government—the legislature, the judiciary, and the executive" Pauline Gregg, *A Social and Economic History of Britain, 1760-1980*, (London : Harrap, 1982 ed.), p. 147.

the Ganges running up to Delhi, and the coastal Carnatic in the south. With this relatively small territorial base, British supremacy of the sub-continent was hardly a concrete vision. By the mid-1850s, however, the situation had changed dramatically. The Marathas, Sikhs and other powers who had nurtured imperialistic ambitions amidst the debris of the Mughal empire had all been humbled, and British dominions extended in one unbroken line from Sind and Punjab in the west to Bengal and Assam in the east through the fertile territories of the Jamuna-Ganga basin. The 1857 mutiny proved only a temporary setback to this process. When the British Crown took over the government of India from the East India Company in the aftermath of the mutiny, the process of dominion was finally completed. British power in India thereafter became virtually unchallenged and unchallengeable, and the Indian states that had managed to survive the British steam-roller were integrated into the British India system as "members of an order, not just survivals and anachronisms".⁷ Nepal, however, was not a member of that order, but an independent state with the prerogatives attributable to sovereignty⁸ and the British Indian government treated it as such for all practical purposes.

Nepal's relations with China witnessed a similar change at the middle of the nineteenth century. Prithvi Narayan Shah, the founder of the modern Kingdom of Nepal, had described his newly-conquered Kingdom as "a yam between two rocks."⁹ He was, of course, referring to Nepal's location between two big neighbors, India and China, for "even in his day the mid-

7. Percival Spear, *A History of India* (Middlesex : Penguin Books, 1973), Vol. 2, p. 149.

8. Leo E. Rose, *Strategy for Survival*, (Bombay : Oxford University Press, 1971), p. 134.

9. Naya Raj Pant, *et. al.*, (ed.), *Sri 5 Prithvi Narayan Shah-devko Upadesha* (Teachings of King Prithvi Narayan Shah) (Lalitpur : Jagadamba Prakashan, n. d.). Vol. 1, p. 322.

18th century Nepal's most formidable problem in the formulation and implementation of foreign policy was the preservation of the country's independence in the face of the concurrent but separate threats posed by the newly emerging dominant power in northern India, the British East India Company, and a slowly but steadily expanding Chinese presence in Tibet."¹⁰ Successive rulers during the early 19th century had sought to counterbalance the potential threat from each side by raising the bogey of the other. In particular, as British power progressively grew in India, they had sought to utilize "the actuality of China's presence" in Tibet...to discourage British India from pursuing a more vigorous "forward policy" on its northern frontier.¹¹ But this balancing policy soon became outdated. Britain humbled China in the Opium War (1840-42) and the Treaty of Nanking forced it to open its ports to foreign trade. To add to China's troubles, the Taiping rebellion (1850-64) devastated the country, while the second China war (1860) marked the culmination of the process of humbling and weakening that great empire. Consequently, "seldom again did any Nepali official seriously contemplate the utilization of China as a counterbalance to British India."¹²

The Rana Response

The Rana rulers seem to have reacted to these political and economic changes in India and China with a great degree of realism and foresight. After the 1814-16 Nepal-Britain war, the growing British power had made a policy of hostility and confrontation increasingly unrealistic, and, indeed, positively dangerous. The ruling establishment in Nepal was, however, slow to adjust its policies and attitudes accordingly, and "peace without cordiality" governed the state of Nepal-Britain relations during the three decades preceding the Rana take-

10. Rose, *op. cit.*, p. vii.

11. *Ibid.*, p. 280.

12. *Ibid.*, p. 106.

over. Prime Minister Jung Bahadur, on the other hand, realized that "the basically anti-British policy...would no longer be tolerated by Calcutta...if Nepal were to avoid the fate that had recently overtaken the last of the major Indian states, the Sikh Kingdom in the Punjab"¹³. Consequently, close relations with the British marked Nepal's foreign policy after the mid-nineteenth century.

The new relationship became manifest in concrete form during 1850, when Prime Minister Jung Bahadur paid a visit to Europe, spending a little less than three months in England and about six weeks in France. The formal object of the tour was "to see and bring back intelligence respecting the greatness and prosperity of the country, its capital, and perfection to which the social conditions have been raised there and arts and sciences have been made available to the comforts and convenience of life."¹⁴ There has been some speculation on the real object of the visit¹⁵, but there seems little doubt that what Jung Bahadur saw in England "strengthened his view that British rule in India could not be easily overthrown and that it would be futile and dangerous for Nepal to intrigue or participate in intrigues with this as an object."¹⁶

This perspective helped Nepal decide on its course of action when British power in India faced a major challenge in 1857 during the Indian Mutiny. Jung Bahadur realized that the British were certain to win, and that Nepal could, by assisting them, regain the territory lost in the 1814-16 war.¹⁷ Accordingly, he offered military assistance to the British, which, after an initial hesitation, was gratefully accepted.¹⁸ Jung Bahadur's trust in the British was soon vindicated in a

13. *Loc. cit.*

14. M. S. Jain, *op. cit.*, p. 103.

15. *Ibid.*, pp. 104-5.

16. Rose, *op. cit.*, p. 107.

17. *Ibid.*, p. 129.

18. *Ibid.*, pp. 129-31.

concrete form. In May 1858, the British government transferred to Nepal "in full sovereignty" territories in the far-western Tarai region, which had been taken from Nepal in 1816, "in recognition of the eminent services rendered to the British government by the state of Nepal.....during the disturbances which followed the mutiny of the native army of Bengal in 1857"¹⁹. These territories comprised an area of 2,736 square miles in the modern districts of Banke, Bardiya, Kailali and Kanchanpur.²⁰ This was indeed a tangible benefit of Prime Minister Jung Bahadur's policy of maintaining friendly and cordial relations with the British.

The Policy of Seclusion

Friendly and cordial relations with the British, however, did not completely eliminate the undercurrent of fear and suspicion in Nepal-Britain relations.²¹ Jung Bahadur never seems to have forgotten that it was during the early years of his Prime Ministership, when Lord Dalhousie was Governor-General (1848-56), that the East India Company's territories

19. C. V. Aitchison, *A Collection of Treaties, Engagements, and Sunnuds Relating to India and Neighbouring Countries*, (Calcutta : Bengal Government Printing Company Limited, 1863), vol. 2, pp. 208-9.

20. Government of Nepal, *Nepalako Janaganana* (Population Census of Nepal), (Kathmandu : Department of Statistics, 2014, (1957), p. 9. The breakdown was as follows : Banke : 722; Bardiya : 624; Kailali : 886 and Kanchanpur : 611.

21. For instance, in a conversation with the British Resident, Lt. Colonel G. Ramsay, in 1864, Jung Bahadur said, "We desire to preserve our independence. We attribute that independence solely to our own peculiar policy....We know you are the stronger power, you are like a lion, we are like a cat. The cat will scratch, if it is driven into a corner; but the lion would soon kill the cat." Ramakant, *Indo-Nepalese Relations, 1816 to 1877*, (Delhi : S. Chand and Co., 1968), p. 320.

in India underwent the maximum expansion through the annexation of the Punjab in 1849 and of Oudh in 1856. The annexation of Oudh, in particular, made Nepal completely encircled by British territories in the south and the west.

The Rana rulers, therefore, continued the traditional policy of restricting social and economic intercourse with British India. The policy of seclusion, as one may call it, had several aspects. In the first place, the entry of British officers and merchants was permitted only when absolutely necessary. As Jung Bahadur told the British Resident in 1864 :²²

I know very well that advantage would accrue to Nepal for a few years if we were to open the country to British officers and to British merchants, but even supposing that we were to double our revenue for ten or twenty years, what good would that do to us? At the end of that time you would probably take the country.

Another British observer has recorded that Jung Bahadur :
...Peremptorily forbade the entrance into Nepal of any visitor of any western race unless he had both the invitation of the Nepal government and the guarantee of the Indian government, nor was the visitor permitted to see any part of Nepal except the valley of Kathmandu and the road to it. ²³

Moreover, Jung Bahadur and his successors persistently dis-favored the construction of a road connecting Kathmandu with the plains. As a recent study, citing Captain Orfeur Cavenagh, one of the British officers attached to Jung Bahadur's entourage during his 1850 visit to England, has recorded :²⁴

22. Henry A. Oldfield, *Sketches from Nipal* (reprint of 1880 ed.; New Delhi : Cosmo Publications, 1974), p. 46.

23. Perceval Landon, *Nepal* (reprint of 1928 ed., Kathmandu : Ratna Pustak Bhandar, 1978), vol. 2, p. 62.

24. Orfeur Cavenagh, *Reminiscences of an Indian Official*, (London : W. H. Allen, 1884), cited in John Whelpton, *Jung Bahadur in Europe*, (Kathmandu : Sahayogi Press, 1983), pp. 125-6.

Cavenagh realised that, despite all his public protestations of friendship, (Jung Bahadur) retained considerable mistrust of Britain's ultimate intentions towards his country. This came out clearly when Jung explained to him, after their return to India, his reasons for not wanting to build a road connecting Kathmandu with the plains. He said that he was sure Britain would one day take possession of Nepal and that if such a road were available for use by the invading force then its builder would go down in history as the author of his own country's destruction.

The second aspect was the isolation of the hill region from the Indo-Gangetic plain, including Nepal's own strip of Tarai territory. Because the political boundary between Nepal and India is not a natural one, the Rana rulers appear to have concluded that it was virtually indefensible against external aggression or encroachment. Consequently, they maintained the southern foothills of the Mahabharat mountains, rather than the political boundary farther south in the Tarai and inner Tarai regions, as the line of national security and imposed a ban on settlement and cultivation in those regions.²⁵ The policy

25. Oldfield writes, "In Nipal the *dhuns* have been mostly allowed to fall into a state of jungle, and are consequently clothed with forests of sal and cotton trees, and are inhabited only by wild beasts. The Nipalese are averse to the "clearing" of these forests, as they look upon the malarious jungle at the foot of their hills as the safest and surest barrier against the advance of any army of invasion from the plains of Hindustan". He adds, "Previous to the first Nepal war, the *dhuns* of Chitaun and Makwanpur were extensively cultivated; but since the peace of 1816 the Gorkha government, from motives of policy, have caused the inhabitants to abandon the greater part of them, and they have been allowed to revert to their natural state of forest and grass jungle". (Oldfield, *op. cit.*, pp. 47-49). See also "Order to Narvansi Thakur Regarding Non-cultivation

of restricting intercourse between the hill region and the plains had two other objectives besides security : Prevention of smuggling and escape of political fugitives to India. With the objective of checking smuggling, the early Rana rulers continued the traditional policy of maintaining only a few routes through the Mahabharat and Siwalik mountains which could be adequately guarded. In 1849, General Krishna Bahadur Kunwar, a brother of Jung Bahadur who had been appointed chief administrator of the eastern Tarai region, was accordingly instructed "to inspect all tracks from the hill to the plains through the Mahabharat and Siwalik mountains, maintain those that are essential, and make smugglers' tracks impassable by installing snares and pikes."²⁶ Checkpoints were maintained at several places to oversee these precautions.²⁷ Another objective was to prevent political refugees from escaping to India; hence these arrangements were reconfirmed whenever political changes occurred in Kathmandu. For instance, checkpoint personnel in the Mahabharat area were empowered to use force, if necessary, to prevent refugees, runaway slaves, and criminals from escaping to India in the aftermath of the political changes

of Lands on Southern Slopes of Mahabharat Mountains", Poush Badi 5, 1915 (December 1858) *Regmi Research Collection* (RCC), vol. 66, pp. 283-84, and "Ban on Cultivation in Bhimphedi-Hitaura Region" Aswin Badi 13, 1931 (September 1874), *RRC*, vol. 66, pp. 36-39, and pp. 255-56.

26. "Administrative Arrangements for the Tarai Region, A. D. 1849", *Regmi Research Series*, Year 12, No. 12, December 1, 1980, sec. 9, p. 183; see also "Regulations for Sindhuli-Gadhi", Poush Sudi 12, 1904 (December 1847), sec. 3, *RRC*, vol. 40, p. 47.

27. "Administrative Arrangements for the Tarai Region, A. D. 1849" (see n. 26 above sec. 3, p. 182; "Regulations for the Western Tarai Region", Kartik Sudi 4, 1906 (October 1849), sec. 15 *RRC* vol. 33, p. 105; "Order to Mukhiyas Vamshidhar Jaisi and Vishnuhari Jaisi of Tilpung", Poush Badi 1, 1937 (December 1880), *RRC*, vol. 55, pp. 727-31.

of 1846.²⁸ Bir Shumshere's successful coup in 1885 was similarly followed by steps to close routes leading from the hills to the plains through Chitwan on the ground that opponents of the new Prime Minister might otherwise succeed in escaping to India.²⁹

The Rana policy of restricting intercourse between the hill region and the Tarai out of strategic and political considerations was facilitated by climatic factors few inhabitants of the hill region could stand the hot, humid, and malarial climate of the Tarai. Morang, in particular, was "the most malarious and unhealthy district in the whole Tarai",³⁰ and nothing else than "a pestilent swamp".³¹ Consequently, the extensive cultivable lands of that region provided little attraction to people from the hills. Climate, more than official policies and restrictions, was the real deterrent to the political and economic integration of the two regions.

The Economic Impact

The changes in the political scene that we have described were followed by equally epoch-making changes in the economic scene mainly under the impact of developments in India. The take-over of the territories of the East India company by the British Crown in 1858 marked the beginning of a new era of construction and development in India. The ideology of that era was the belief that "Saxon energy and British capital" should be used to cover the country with a network of railroads, roads and bridges, and irrigation canals.³² India's rail-

28. "Regulations for Sindhuli-Gadhi", 1847 (See n. 27 above), sec. 3, p. 47.

29. "Order Regarding Closure of Tracks in Chitwan", *Jestha Sudhi* 4, 1943, (May 1886), *RRC*, vol. 56, pp. 237-48.

30. Oldfield, *op. cit.*, p. 62.

31. *Ibid.*, p. 145.

32. Elizabeth Whitcombe, *Agrarian Conditions in Northern India*, (Berkeley : University of California Press, 1972), vol. 1, pp. 61-3.

road system soon developed into "the most elaborate" in Asia,³³ the total mileage increasing from 1587 in 1861 to 25,363 in 1901.³⁴ The strategy was "to construct grand trunk lines traversing the length and breadth of the country, and connecting the big cities of the interior with the big ports of Calcutta, Bombay and Madras," and by 1875, most of the big centers had actually been so connected.³⁵ Nepal began to feel the impact of the development of India's railroad system not long thereafter, as we shall discuss in greater detail in Chapter 8.

The development of India's railroad network had an immediate and significant impact on the economic policies of the Rana rulers. In particular, it opened up the natural resources of the newly-acquired far-western Tarai region for exploitation and facilitated the extension of a number of resource-mobilization policies which had previously been confined to the eastern Tarai region. It also strengthened commercial links between the Tarai region of Nepal and the adjoining areas of India, already close because of the absence of natural boundaries and the proximity of populous settlements on the Indian side of the border.

Those links were further bolstered by another far-reaching trend that emerged in India's economy during the last quarter of the nineteenth century in the form of "a certain amount of quickening in the development of Indian industries."³⁶ Of particular interest to Nepal was the development of jute and

33. Daniel and Alice Thorner, "Emergence of an Indian Economy, 1760-1960", in *Land and Labour in India* (Bombay: Asis Publishing House, 1962), p. 53.

34. Government of India, the *Imperial Gazetteer of India*. Vol. III, (Oxford: Clearandon Press 1901), p. 411.

35. D. R. Gadgil, *The Industrial Evolution of India in Recent Times, 1860-1939* (Bombay: Oxford University Press, 1971), p. 131.

36. Gadgil, *op. cit.*, p. 82.

paper mills in Bengal and the United Provinces. These mills procured supplies of raw materials, such as jute and sabai grass, from the Tarai region of Nepal on a growing scale.³⁷ There was also a growing demand for Nepal's timber for use as railroad ties. Several market-towns developed inside Nepal to accommodate the growing volume of trade. They included Nepalgunj in far-western Nepal, and Birgunj in central Nepal.

Constraints in the Use of Rana Power

With political power secure in their hands, an internal policy that insulated Kathmandu, the administrative capital and the locus of political decision-making,³⁸ from pressures and influences from the south, a foreign policy that guaranteed non-interference in their internal affairs, and an expanding market and improving transport facilities for the export of primary produce to India, the Rana rulers faced few constraints in exploiting their political power for the economic advancement of the ruler and his family, and their supporters. The constraints, nevertheless, were real enough. In the first place, it was of paramount importance for the Rana rulers to preserve the independence of the Kingdom as the foundation of their own political authority, and to establish and maintain a centralized administrative system as the chief instrument for the use of that authority for their economic advancement. In other words, Rana despotism needed the traditional Gorkhali state as a base to sustain and nurture its own goals. The policies and programs of the Rana rulers in the economic field were, consequently, characterized by an ambivalence born of the need to sustain both the state and the Rana despotism on the same economic and administrative resource-base. Secondly, the Ranas had to share the economic benefits of their rule with the aristo-

37. Sir George Watt, *The Commercial Products of India* (reprint of 1908 ed., New Delhi: Today and Tomorrow Printers and Publishers, 1966), p. 695.

38. Joshi and Rose, *op. cit.*, p. 17.

cracy and the bureaucracy in order to sustain their monopoly of political power. Rana rule would hardly have lasted for well over a century had members of the traditional nobility, the landowning elites, and other privileged groups been denied a share in the spoils of political power.

The constraints that the Rana rulers faced in the exploitation of the country's resources were by no means confined to social and political factors, for what may have well been the most formidable constraint stemmed from geography. Indeed, the unique topographical features of the Kingdom made transport and communications between the capital and the districts slow, risky, and arduous, and circumvented the effectiveness of administrative control and supervision from the center. A brief description of the state of transport and communications during the latter part of the nineteenth century, and the steps taken by successive rulers to overcome those geographical constraints, is, therefore, an essential prelude to an understanding of the Rana fiscal system.

Nepal is a land of unmatched diversity of climate and topography. It encompasses almost all the climatic zones of the world and ranges in altitude from the world's highest point at the peak of Mt. Everest (Sagarmatha) in the north to only a few hundred feet above sea level in the south. The Kingdom extends about 800 kilometers from east to west and about 160 kilometers from north to south with a total surface area of about 141,000 square kilometers. It adjoins Tibet (China) in the north, and India in the east, south, and west. Nepal is thus a landlocked country. Its southern part, known as the Tarai, is an extension of the Indo-Gangetic plains, and adjoins northern India, one of the world's most populous regions, and contains the bulk of the nation's land and other natural resources. In contrast, the Nepal-Tibet border passes along the Himalayas, the world's highest mountain range, and consists largely of arid and desolate wastes on both sides. Consequently, some trans-Himalayan border and transit trade

with Tibet notwithstanding, Nepal's economy has been shaped for the most part by influences stemming from the Indian side.

Within the Kingdom itself, two-thirds of the territory comprise rugged mountainous terrain. The three longitudinal mountain ranges, the Siwalik, the Mahabharat, and the Himalayas, send out long spurs to the north and the south, hence the hill region is interspersed by numerous valleys of different sizes, shapes, and altitudes. The Kingdom has, therefore, been described as "a land broken up into tiny pockets separated from one another by mountain barriers that discourage intercommunication."³⁹ Its numerous rivers, mostly flowing from north to south, constitute additional barriers. One British observer has accordingly described travel through east-west tracks as consisting "of little else than a perpetual climb, a perpetual descent, and a perpetual river crossing."⁴⁰ Transport and communication between Kathmandu and the outlying districts of the Kingdom, therefore, involved considerable time and effort.

Administrative Divisions

A brief account of the districts into which the Kingdom was divided for purposes of administration appears necessary at this stage. Their number and boundaries underwent frequent changes, but we shall refrain from listing those changes in detail, and confine our attention to the situation that prevailed around the end of the nineteenth century.

We may start with the Tarai region, the southernmost part of the Kingdom. The region is traditionally divided into three sub-regions on the basis of history and geography: The eastern Tarai region between the Mechi and Narayani rivers,

39. Ludwig F. Stiller, S. J., *The Silent Cry*, (Kathmandu: Sahayogi Prakashan, 1976), p. 12.

40. Landon, *op. cit.*, vol. 2, p. 197.

the western Tarai region between the Narayani and Arra rivers, and the far-western Tarai region farther to the west up to the Mahakali river. The eastern Tarai region comprised seven administrative districts, Morang, Saptari, Mahottari, Sarlahi, Bara, Parsa, and Rautahat, while the western Tarai region comprised a single administrative district with its headquarters at Butwal. There were four districts in the far-western Tarai region : Banke, Bardiya, Kailali, and Kanchanpur. Chitwan in the inner Tarai region was also a separate administrative district. There were three other administrative units in this region, based on fort-towns, or *gadhis*, situated on the main routes connecting the hill region with southern plains through the Mahabharat mountains : Udayapur and Sindhuli in the eastern inner Tarai, and Chisapani in the central inner Tarai.

In several other parts of the Kingdom, administrative divisions were determined largely by military needs. In the far-eastern and far-western hill regions, for instance, there were separate administrative districts in areas where military cantonments had been established. There were ten such cantonment districts, or *gaundas*, namely, Dailekh, Doti, Dadeldhura, Jumla, and Baitadi in the Bheri-Mahakali region, Palpa, Pyuthan, and Salyan in the Kaligandaki-Bheri region, (the remaining area comprising the district of Baglung), and Dhankuta and Ilam in the far-eastern hill region. Elsewhere in the hill region, particularly in the region between the Arun river in the east and the Kaligandaki river in the west, there were originally no separate administrative units. The reasons were that the functions of both revenue-collection and civil administration largely belonged to the landowning elites.⁴¹ During the closing years of the nineteenth century, Bir Shumshere divided the central hill region, with the exception of Kathmandu Valley,

41. Brian H. Hodgson, "Some Account of the Systems of Law and Police as recognised in the State of Nepal", *Journal of the Royal Asiatic Society of Great Britain and Ireland*, vol. 1, 1834, p. 275.

into eight administrative districts as follows: East No. 1 (Sindhupalchok), East No. 2 (Dolakha), East No. 3 (Okhaldhunga), and East No. 4 (Bhojpur) in the region east of Kathmandu Valley up to the Arun river, and West No. 1 (Nuwakot), West No. 2 (Gorkha), West No. 3 (Bandipur) and West No. 4 (Syangja).

The unwieldy size of most of these administrative divisions, particularly in the far-east and the far-west, inevitably precluded the feasibility of an administrative set-up closely controlled from Kathmandu. In the far west, the district of Jumla comprised an area of 5,662 square miles, Baglung 4,640 square miles, and Doti 3,424 square miles. These three mountainous districts thus comprised a little more than one-quarter of the Kingdom's total area of 54,362 square miles. In the east, the district of Morang, comprising the forests and swamps of the Tarai territory between the Koshi and Mechi rivers, encompassed the modern districts of Jhapa, Sunsari, and Morang with a total area of approximately 1,534 square miles.⁴² It is difficult to believe that local administrators, burdened with such extensive areas under their jurisdiction, were able to function effectively.

The malarial climate of the Tarai region, to which a reference has already been made, compounded the problems created by the unwieldy size of administrative districts. Oldfield was obviously exaggerating when he wrote that "the majority of the (Tarai) population are migratory; they dwell in the Tarai during the cold months, and retreat either to the hills or to the adjacent plains of Hindustan during the unhealthy period of the year",⁴³ but there seems little reason for doubt that virtually the entire official corps took part in the exodus. Top-ranking members of the bureaucracy, who invariably belonged to Kathmandu Valley and the adjoining

42. *Nepalko Janaganana*, (See n. 20 above), *op. cit.*, p. 8.

43. Oldfield, *op. cit.*, p. 60.

hill regions, seldom remained in their Tarai posts throughout the year for fear of malaria. As C.E.R. Girdlestone, the British Resident in Kathmandu, reported to his government in 1876 :⁴⁴

The fear of malaria amongst Gorkhals, who constitute a large majority of the official body, is so great that, as Sir Jung Bahadur has often expressed it, they would rather have their heads cut off than submit to it. Not only Gorkhals, but all hillmen of Nepal, bear the heat of the low country badly.

Gorkhali officialdom, like their British counterparts in India, found the anodyne in a seasonal exodus to Kathmandu or elsewhere in the hills. Girdlestone adds :⁴⁵

The result is that from April to November the low lands are left in the hands of subordinates, who have not interest or the means to enable them to avoid the dreaded climate, and even of these some seek refuge for a part of the year *sub rosa* in the lower hills. Every man that possibly can comes to Kathmandu for the hot and rainy seasons, just as our own officials strive for Simla, Murree, Nynce Tal and other hill stations.

For more than six months in the year, administration in the Tarai region, consequently, remained in a state of virtual paralysis.

Transport and Communications

Since at least the early years of the nineteenth century, the Gorkhali rulers had devised a number of arrangements

44. "From C. E. R. Girdlestone, Esq. C. S., Resident in Nepal, to T. H. Thornton, Esq., D. L. C., Offg, Secy to the Govt. of India, Foreign Dept.", September 19, 1876, in "Trade between British India and Nepal", Foreign Department (Revenue A) Consultations, No. 13, National Archives of India, New Delhi, p. 69, This report will be cited hereafter as "Girdlestone Report".

for maintaining lines of transport and communications from Kathmandu to different districts. These arrangements may be described under two main headings : An east-west track through the hill region, and a postal service for the transportation of official mail and supplies.

The east-west track appears to have extended from Dhankuta and Ilam in the east to Doti in the West. Contemporary British sources mention "the military route from Kathmandu through Banepa, Dunkoota and Ilam to the eastern boundary—a distance of some two hundred and thirty miles", as well as "the western road to Silgarhi in the Dotee pergunnah through Gorkha and Piuthana"⁴⁶. The track formed part of a longer track from Darjeeling in Bengal to Pithoragarh in the United Provinces of India, marking the extent of Gorkhali territorial expansion by the early years of the nineteenth century. Perceval Landon has described the track in the following words :⁴⁷

It is a bad route from the start, obstructed by many steep ascents and descents, and during flood time practically impassable. These remarks apply to a large part of this long track. A small party might perhaps push its way through in spite of all difficulties, with the help of local assistance in the nature of rope bridges, ferries, and other means of crossing swollen rivers. But the entire length of the route runs through the under-features of the Himalayas, under-features which, in any other country would be hailed as mountains of importance and the pace is necessarily slow.

As the main artery of the Gorkhali Kingdom, the east-west track was kept open throughout the year. It was, of course, not impossible to climb hills and mountains even during the rainy season from June to September, but the

46. "Girdlestone Report", *op. cit.*, p. 50.

47. Landon, *op. cit.*, vol. 2, p. 41.

south-flowing rivers presented a formidable problem. Where possible, the Gorkhali rulers had introduced ferry-boat services,⁴⁸ but there were also other means of crossing streams and rivers, such as *targhat* and *sanghu*. Francis Hamilton has described *targhat* as “bridges of ropes made of rattans connected by cords of tough grass”⁴⁹ Norman Hardie has described a *targhat* on the Arun in the eastern hill region in the following words.⁵⁰ He visited that region during the 1950s, but it is unlikely that the techniques and materials used in construction were of twentieth-century origin :

The structure, about one hundred and fifty feet long, was of suspension design and the ropes supporting all the weight were made from green bamboo sticks, which had been split and twisted together to form a rope of about one inch in diameter. At intervals of four to six feet, very flimsy bamboo or creeperstrands were attached to the main ropes, and these strands in turn supported one round wooden pole, on which the traveller must walk.

Sanghus were logs placed across shallow points on rivers and streams, which Hamilton has rather inaccurately described as wooden bridges,⁵¹ and Landon as timber cantilever bridges.⁵² The usual practice seems to have been to install

48. “Royal Order to Kalya Majhi Regarding Ferry Services on the Karnali River”, Poush Sudi 12, 1893 (January 1837), *RRC*, vol. 45, pp. 336-7.

49. Francis Buchanan Hamilton, *An Account of the Kingdom of Nepal* (reprint of 1819 ed., New Delhi Manjusri Publishing House, 1971) p. 274.

50. Norman Hardie, *In Highest Nepal, Our Life among the Sherpas*, (London : George Allen and Unwin, 1957), pp. 46-7; “Royal Order Regarding Construction of Cane Bridge on the Kali-Ganga River at Benighat” Magh Sudi 12, 1888 (January 1832), *RRC*, vol. 45, pp. 24-5.

51. Hamilton, *op. cit.*, p. 274.

52. Landon, *op. cit.*, vol. 2, p. 198.

targhats during the rainy season, and *sanghus* during winter. These facilities were installed primarily for transporting troops and military supplies, as well as official mail, over rivers and streams on the main routes connecting Kathmandu with the eastern and western parts of the Kingdom, but they were usually available only in fair weather. As Perceval Landon has noted :⁵³

It has been the crossing of the rivers that caused the almost intolerable delays that characterize internal transit in Nepal. A century ago, the streams were spanned by mere rope bridges which were always at the mercy of neglect, rot, and in many cases, flood. The use of the curious timber cantilever bridges which are scarcely found elsewhere south of the Himalayas was an improvement, but though far more solid in structure, these bridges were necessarily almost at the level of the water and were consequently swept away or rendered useless by any unusual rise in its level. In bad weather, when the mountain rivers come down in spate, it was impossible either to ford the streams or to cross them by ferries.

Along this east-est route, as well as a number of branch routes towards both the north and the south, the government maintained lines of transport and communication under what was known as the *hulak* system. Under that system, the inhabitants of adjoining villages were forced to provide free porterage service for the government in partial fulfillment of their fiscal obligations. Such porterage services were of two categories : *Kagate Hulak* for official mail, and *Thaple Hulak* for coins, arms and ammunition, and other government supplies. The *hulak* system ensured a regular transport and communication system between Kathmandu and the outlying areas of the Kingdom.⁵⁴

53. *Loc. cit.*

54. For a description of the *hulak* system, see Mahesh C. Regmi, *A Study in Nepali Economic History, 1768-1846* (New Delhi : Manjusri Publishing House, 1978), pp. 104-5.

The state of transport and communications in the Kingdom that we have described in the previous sections remained more or less unchanged throughout the nineteenth century. At the same time, it is necessary to take note of the impact of the extension of India's railroad system to a number of points on the Nepal-India border, to which a reference had been made in a previous section. Thanks to that development, a person travelling from Kathmandu to Morang could proceed on foot or on horseback to Raxaul, then by railroad to Forbesgunj, and then cross back into Nepali territory in Morang, the entire journey taking about four days instead of the ten or twelve days needed previously. In the words of Perceval Landon⁵⁵ :

For any long distance it is easier and quicker and, it may be added, cheaper for a Nepalese to make his way either to one of the railway stations on the Indian border and then join the Indian railway system for an excursion east or west even when his destination is in his own country.

But though the Tarai districts remained more or less accessible thanks to the facilities provided by India's newly-installed railroad network, the hill and Himalayan regions remained as difficult of access from Kathmandu at the end of Rana rule in early 1951 as they were in the middle of the nineteenth century. Moreover, the facility provided by India's railroad system for travel from one part of Nepal to another through Indian territory was offlimits to *hulaki* porters. For the purposes of fiscal administration, therefore, communications with outlying areas of the Kingdom remained as time-consuming as before. For instance, the time officially allotted for a journey between Kathmandu and Morang, according to legislation enacted by Jung Bahadur in 1854, was 25 days for mail carriers, and 30 days for other porters. Mail carriers were allotted 35 days for the Kathmandu-Baitadi route, and porters

55. Landon, *op. cit.*, vol. 2, p. 41.

as many as 75 days. Kanchanpur, the westernmost end of the Kingdom after the acquisition of the far-western Tarai region in 1858, was situated at a distance of 30 days' journey for mail carriers, and of 55 days for other porters.⁵⁶ Allowing a maximum period of 35 days for necessary action at the local level, it took two to three months for Kathmandu to receive responses from local officials from the east and the west to its official communications. Such delays were inevitable in view of the topography of the Kingdom, but their detrimental impact on fiscal administration can by no means be over-emphasized.

Concluding Remarks

To sum up : If the *raison d'etre* of Rana rule was the exploitation of the country's resources to sustain a centralized state and administration and ensure the personal enrichment of the Rana ruler and his family, internal and external circumstances during the second half of the nineteenth century were singularly favorable for the attainment of that objective. The Ranas' capability to take advantage of these favorable circumstances was, however, circumvented by a number of social, political, and geographical constraints. The social and political constraints were virtually insuperable, given the familial character of Rana rule and its need to share the spoils of political power with potential rivals in order to forestall active opposition. Geographical constraints, in contrast, were more amenable to solution, for it was technically feasible to build durable roads, bridges, and other facilities even in the hill region. However, the early Rana rulers preferred not to do so. They were afraid lest economic development should provide a motive to the British to annex the Kingdom. A deliberate policy of keeping the country economically undeveloped may have been justified in the

56. "Time Required for Delivery of Mail from Kathmandu to Different Areas", *Regmi Research Series*, year 13, no. 11, November 1, 1981, pp. 167-8.

contemporary situation by considerations of national security, but its detrimental impact on the economy, particularly the fiscal system with which the present study is concerned, hardly needs any elaboration.



CHAPTER II

The Fiscal System

As mentioned in Chapter I, each economic and political stage of a country has its appropriate form of public revenues. That is to say, the character of the fiscal system is determined by such factors as the stage of its economic growth and the nature of its political and administrative institutions. Fiscal systems are accordingly different in different countries, and even in the same country during different historical periods. In this chapter, we shall make an attempt to describe the general characteristics of Nepal's fiscal system at the middle of the nineteenth century, and then discuss the changes that were introduced during the early Rana period.

We may begin with a rough delineation of the scope of our study. The term *fisc* denotes the public treasury, or public revenues, and the fiscal system is accordingly concerned with the revenues of the state. We are, therefore, not concerned with non-monetary arrangements for meeting the state's need for goods and services. Such arrangements existed on a large scale in nineteenth-century Nepal, hence the amount of revenue that accrued to the state was by no means an accurate indicator of its real access to goods and services. Consequently, the fiscal system was not as important for the nineteenth-century Nepali state as it is for its modern counterpart.

It appears necessary to explain in some detail the non-monetary arrangements that the Nepali state traditionally followed for the purpose of meeting its needs for goods and services of various categories. Such an exposition will help us to delimit the scope of our study more precisely, and, in addition, provide the necessary background for an explanation of the fiscal policies and programs followed by the early Rana rulers.

There were three traditional systems under which the state was able to acquire goods and utilize manpower without using money as a means of exchange. Firstly, mineral resources belonged to the state. The state's ownership rights in such resources, unlike in agricultural lands and forests, were never transferred to individuals. Even when mineral deposits were discovered on lands that had been granted under *birta* or other tax-free tenure, the right to exploit those deposits was reserved for the state. State-owned mineral resources were, however, actually exploited through individuals, who usually handed over half of the output to the state in fulfillment of their tenurial obligations. Consequently, the state was able to meet a large portion of the copper, iron, and lead needed for its mints and munitions factories in the form of rents.¹

Secondly, the nineteenth-century Nepali state paid emoluments to its employees and functionaries partly or wholly through assignments of taxable lands and villages, rather than through payments in money. Such assignments were known as *jagir*.² The *jagir* system made it possible for the govern-

1. For a detailed discussion of this subject, See Mahesh C. Regmi : *The State and Economic Surplus : Production, Trade, and Resource-Mobilization in Early 19th Century Nepal*, (Varanasi : Nath Publishing House, 1984), pp. 120 & 143.

2. Descriptions of the *Jagir* and other tax-free tenures mentioned in this chapter are based on Mahesh C. Regmi, *Landownership in Nepal* (Berkeley : University of California Press, 1974), Chapter 2, pp. 15-21.

ment to maintain a set-up of civil administration as well as a fairly large army, without the use of money. The system was, in fact, used on such a wide scale that legislation banning the payment of cash salaries to government employees so long as taxable lands were available for assignment as *jagir* remained in the statute-book throughout the period of Rana rule, albeit with varying degrees of effectiveness.

Finally, the *jhara* system entitled the nineteenth century Nepali state to exact portage and other labor services from its subjects without paying wages.³ Under that system, people were forced to provide portage services, and also construct and repair roads, forts, bridges and irrigation channels, and reclaim waste lands. *Jhara* services, when exacted on a regular basis for transporting official mail or other government supplies, working in munitions factories, or supplying firewood, charcoal, and other materials required by the royal and Rana households, as well as by the civil and military establishments of the government, were known as *rakam*. *Hulak* services for the transportation of official mail and other supplies, to which a reference had been made in chapter 1, belonged to the general category of *rakam* services.

Scope of the State's Fiscal Authority

The existence of such traditional arrangements for meeting the wants of the state without the use of money was not the only factor that limited the scope of the fiscal system. Yet another factor owed its origin to the restricted scope of the state's fiscal jurisdiction. Indeed, the fiscal authority of the nineteenth-century Nepali state was by no means coterminous with its political authority. The modern conception of the

3. For a detailed account of the *Jhara*, *rakam* and *hulak* systems, see Mahesh C. Regmi; *Thatched Huts and Stucco Palaces : Peasants and Landlords in 19th Century Nepal*. (New Delhi : Vikas Publishing House Private Ltd., 1978), pp. 91-95.

state's untrammelled jurisdiction over all sources of revenue within its domain was alien to the role traditionally exercised by the state in Nepal. The state's fiscal jurisdiction was, in fact, limited by a number of traditional institutions and practices which placed revenues from specific areas or sources under the jurisdiction of individuals, institutions, and communities, whom we may designate as infrastate agencies. There were four main categories of these agencies, namely *rajya*, *birta*, *guthi*, and *kipat*. These systems have been discussed in previous studies from different angles, such as land tenure, the agrarian structure, the state's ownership right over natural resources, and fiscal administration. In the present context, on the other hand, emphasis will be laid on their impact on the state's fiscal jurisdiction.

The term *rajya* means a Kingdom. In Nepali historiography, however, it usually denotes a vassal principality within the Gorkhali Kingdom, the chief being known as *raja*. In contrast, the Rana Prime Minister was known as *Maharaja*, and the King as *Maharajadhiraja*. *Rajas* belonged to the families of rulers of those principalities in the western and far-western hill regions which were incorporated into the Kingdom of Nepal with a vassal status. That is to say, they were granted some measure of autonomy under the suzerainty of Kathmandu. The *rajas* of these autonomous principalities were entitled to collect and appropriate revenues from almost all sources in the territories under their jurisdiction. Their sole fiscal obligation to Kathmandu consisted of an annual tribute in money. Bajura, Bajhang and Jajarkot in the far-western hill region, and Mustang in the north-western hill region, were the chief *rajyas* at the beginning of Rana rule.

The *birta* system was more widespread and had a longer history than the *rajya* system. Under that system, income-yielding assets such as agricultural lands, forests, and villages were granted to individuals on a tax-free basis as a mark of

favor or appreciation of service. In a society where land constituted the predominant source of income, and landownership was synonymous with social status, the power to bestow or withhold favors in the form of *birta* grants was of considerable significance in organizing the foundations of political authority and administration and so was exercised on an extensive scale. However, *birta* grants had a negative impact on the fiscal jurisdiction of the state, because income from specified sources in the area covered by a *birta* grant was appropriated by the *birta*owner, rather than by the state. The *guthi* system emerged when similar tax-free grants of agricultural lands, forests, and villages were made to temples and monasteries, or for financing specified religious ceremonies at those institutions, or else other functions of a religious, charitable, or philanthropic character. *Guthi* grants, once made, were seldom revoked, because the dislocation of the concerned religious, charitable, or philanthropic function that revocation would entail was traditionally considered a sacrilege.

Kipat was yet another system which traditionally limited fiscal jurisdiction of the nineteenth-century Nepali state. The system was practically confined to tribal communities of Kirat ethnic stock, such as the Limbu of the hill region east of the Dudhkosi river. Under the *Kipat* system, income-yielding resources belonged to the community under customary law, not to the state under statutory law. The state, consequently, had no power to tax lands under *Kipat* tenure, or raise revenues through the exploitation of *Kipat* forests. Its fiscal jurisdiction over *Kipat* areas was, therefore, limited to the sovereign power of taxation over individual households.

The fiscal jurisdiction of the nineteenth-century Nepali state was thus confined to sources of revenue that had not been placed under the authority of *rajas*, *birta* and *guthi*owners, and *kipat*owners. These residual sources, traditionally known as *jagera*, will form the subject-matter of the present study.

Impact of Rana Rule

If the fiscal jurisdiction of the state was traditionally narrower than its political jurisdiction, it contracted further during the early Rana period. Indeed, there is evidence to believe that the total area under tax-free forms of land tenure was much higher at the end of the nineteenth century than at the beginning of Rana rule. It goes without saying that the Prime Minister and other members of the Rana family were themselves the major beneficiaries of such a trend. There were two main reasons for that trend. In the first place, the Ranas used the *rajya*, *birta* and *jagir* systems to legitimise the use of their political power for bringing the nation's natural resources, mainly agricultural lands and forests, under their direct ownership and control. Secondly, they generally sought to avoid any attack on their political authority by preserving the traditional landowning privileges of the political elites. Ironically, the interests of both the Ranas and their potential opposition groups converged in preserving traditional limitations on the fiscal jurisdiction of the state.

The social and political influence wielded by the landowning elites, which thus emasculated the state's fiscal jurisdiction, is underlined by Jung Bahadur's decision in 1846 to restore confiscated *birta* lands. A brief historical account of the original confiscation measures appears necessary before discussing that follow-up. During 1805-6, *birta* lands granted by the rulers of principalities which had been annexed into the Kingdom of Gorkha through conquest were confiscated, although grants made by those who had accepted Gorkha's suzerainty were reconfirmed if the holders were in possession of documentary evidence of the grants, or if local landowners took oath that the grants were authentic. Lands being used as *birta* without documentary titles or with defective titles were similarly confiscated.⁴ Approximately 800,000 muris of rice-

4. Regmi, *Landownership*, pp. 28-29.

lands was thus confiscated in the hill region and assigned as *jagir* to the army.⁵ These measures naturally aroused considerable resentment among the dispossessed owners. It was hardly surprising, therefore, that less than three months after he became Prime Minister, Jung Bahadur initiated arrangements to compensate them through allotments of waste lands and financial assistance for reclamation. Inasmuch as the grant of cultivated lands in exchange was prohibited, the restoration program did not reduce the cultivated area under taxable *Jagera* tenure or the amount of agrarian tax-revenue. However, few among the dispossessed *birta* owners were able to take advantage of this offer, mainly because of the difficulty of finding uncultivated lands of convenient location. In 1882, therefore, Ranoddip Simha decided to compensate them through allotments of taxable *jagera* lands.⁶ That step resulted in the reversion of *jagera* lands to *birta*, that is, in a contraction of the state's fiscal jurisdiction, and so in a loss of agrarian-tax revenue.

Some information of the scale on which the Ranas exploited these tax-free tenures for the benefit of themselves and their supporters may help to make the discussion more concrete and illuminating. As noted in Chapter 1, Jung Bahadur obtained the territories of Kaski and Lamjung as *rajya* in 1856. These are contiguous territories between the Chepe and Kaligandaki rivers west of Gorkha in the western hill region comprising a total area of about 5,400 square kilometers, and

5. "Particulars of Birta and Guthi Lands Abolished in A. D. 1806", *Regmi Research Series*, year 11, no. 1, January 1, 1979, pp. 8-10." "Birta Confiscation, A. D. 1805-6" *Ibid.* year 15, no. 2, February 1983, pp. 31-32.

6. Regmi, *Landownership*, pp. 30-31. See also "Order Regarding Restoration of Confiscated Birta Lands of Ganasiddhi Padhya Parajuli and others in Kabhrepalanchok and Sindhupalchok", Baisakh Badi 30, 1940 (April 1883), *Regmi Research Collection* (RRC), vol. 58, pp. 144-149, and vol. 74, pp. 316-396.

yielding a revenue of about Rs. 100,000 at the time.⁷ These territories contained fairly extensive tracts of rice-lands, and some copper mines, but their income was derived mainly from commercial taxes. According to Hamilton, in Kaski, "there is a considerable town called Pokhara, which is a mart frequented by merchants from Nepal, Palpa, Malebum, and afforded duties that in so poor a country were reckoned considerable."⁸ Oldfield has described Pokhara as "large and well-inhabited", and "famous for its copper manufactures". He adds, "It has a large annual fair, at which these, as well as supplies of grain and all productions of the district, are sold."⁹ Lamjung contained no mines of any importance, but its chief advantage was that a part of the traditional trade between the hill regions of Nepal and Tibet was conducted through the pass of Sikles on its territory.¹⁰ To be sure, the early Rana rulers elevated members of the erstwhile princely families to the status of *raja* at several other places, but the title was merely honorific and conferred few privileges that circumscribed the fiscal jurisdiction of the state on a comparable scale.¹¹

From the viewpoint of fiscal jurisdiction, *birta* grants appear to have been of far greater importance compared with the *rajya* system. Indeed, there is a large body of evidence to show that Jung Bahadur and his successors exploited the *birta* system on a lavish scale to enrich themselves and their families. To be sure, Jung Bahadur enacted legislation banning grants of cultivated lands in the old territories of the Kingdom

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7. Satish Kumar, *Rana Polity in Nepal* (Bombay : Asia Publishing House, 1967), p. 52.
 8. Francis Buchanan Hamilton, *An Account of the Kingdom of Nepal* (reprint of 1819 ed., New Delhi : Manjusri Publishing House, 1971), p. 242.
 9. Henry Ambrose Oldfield, *Sketches from Nepal* (reprint of 1880 ed.; New Delhi : Cosmo Publications, 1974), p. 45.
 10. Hamilton, *op. cit.*, p. 243.
 11. Regmi, *Thatched Huts and Stucco Palaces*, pp. 42-43.

to the Prime Minister and his sons and brothers, and observed the ban more or less scrupulously.¹² The ban, however, did not extend to newly-acquired territories, as well as to forests, and the Ranas took advantage of these loopholes. For instance, a few months after the restoration of the farwestern Tarai region by the British government, Jung Bahadur acquired a big chunk of the new territory as *birta* for himself and his brothers, comprising an area of approximately 1600 square kilometers in the district of Bardiya. The grant gave full ownership and control to the Rana beneficiaries over the territory's agricultural lands, forests, and other natural resources, the right to appropriate income from commercial taxes, and the right to administer justice and appropriate income from fines, fees, and penalties.¹³ Just these two tax-free territorial possessions of the Rana family, namely, the *rajya* of Kaski-Lamjung and the *birta* of Bardiya, comprised a total area of about 7,000 square kilometers, or slightly more than 5 percent of the Kingdom's total area.

Jagirs similarly continued to absorb a sizeable percentage of revenues from existing sources. In 1853, for example, state revenues totalled Rs. 1.96 million, whereas the official value of *jagir* assignments amounted to Rs. 1.92 million.¹⁴ That is to say, the *jagir* system absorbed about half of the amount or revenue due from existing sources in that year. Since the Ranas virtually monopolized all top-ranking positions in the civil service and the army, they appropriated the lion's share of such *jagir* incomes. The biggest beneficiary was, of course, the Prime Minister himself. Jung Bahadur, on his appointment as *Kaji* in December 1845, was granted rice-lands and villages yielding

12. *Ibid.* pp. 44-45.

13. "Order Regarding Confirmation under the Royal Seal of Birta Grant to the Rana Family in the Far-Western Tarai Region", Baisakh Sudi 14, 1925 (May 1868), *RRC*, vol. 69, pp. 569-585.

14. Regmi, *Thatched Huts and Stucco Palaces*, p. 46.

an annual *jagir* income of Rs. 6,400.¹⁵ When he was designated as *Mukhtiyar*, Prime Minister, and Commander-in-Chief about a year later, his *jagir* emoluments were almost doubled to Rs. 12,401.¹⁶ Other senior members of the Rana family benefitted from the *jagir* system in a similar fashion, while junior members received assignments of income-yielding lands and villages until they came of age and became entitled to regular *jagirs*.¹⁷ Alternatively, they were paid cash allowance from the state treasury.¹⁸ As the size of the Rana family increased progressively over the years, the agricultural lands and other sources of revenue assigned to them under the *jagir* system increased on a proportionate scale. To be sure, the Ranas derived such benefits in the capacity of state functionaries, rather than in the nature of special privileges secured through the exercise of political power. Nevertheless, it was their political power, rather than the actual needs of the state, that made virtually every adult member of the Rana family a candidate for *jagir* privileges.

It is impossible in the present state of our knowledge to present accurate statistics of agricultural lands, forests, and villages which had been granted to Ranas and other individuals, institutions, and communities under one or the other among the tax-free forms of tenure listed above. But one conclusion seems inescapable. If the Nepali state during the second half of the nineteenth century was a Rana estate, the agri-

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15. "Royal Order Regarding Appointment of Jung Bahadur as Kaji", Poush Badi 4, 1902 (December 1845), *RRC*, vol. 26, pp. 41-42.
 16. "Royal order Regarding Appointment of Jung Bahadur as Mukhtiyar, Prime Minister, and Commander-in-Chief", Marga Badi 10, 1903 (November 1846), *RRC*, vol. 26, pp. 142-163. Actual income from these assignments was usually much higher than the official value.
 17. "Bhatta Land Assignments" *Regmi Research Series*, year 15, no. 7, July 1983, pp. 105-106.
 18. "Salaries and Allowances, A. D. 1889", *Ibid*, pp. 113-116.

cultural lands, villages, and forests that the Rana family succeeded in acquiring for themselves through the exercise of their political power under the *birta* and other forms of tax-free tenures may be described as their fief. It is not possible to calculate the amount of income that the Ranas garnered from this fief. However, it may not be too wide off the mark to hazard the estimate that the Ranas and their supporters controlled approximately one-fourth of the income-yielding lands, villages and forests of the Kingdom at the end of the nineteenth century.

At the same time, the early Rana rulers did succeed in widening the state's fiscal jurisdiction by converting tax-free tenures into taxable *jagera* in areas where their own interests were not overly affected, and where headlong collision with the entrenched privileges of the landowning elites could be avoided. For instance, Jung Bahadur converted all *jagir* lands in the Tarai into *jagera* on the ground that such assignments had reduced the amount of revenue.¹⁹ The Rana axe also seems to have fallen heavily on tax-free *kipat* lands. To be sure, such a policy was by no means a Rana innovation, but dated back to at least the early years of the nineteenth century. But the early Rana rulers carried forward that policy more vigorously and succeeded in increasing the area of *jagera* lands at the cost of tax-free *kipat*.²⁰ These measures, no doubt, widened the fiscal jurisdiction of the state to some extent, but their impact was more than offset by the lavish scale on which the Ranas enlarged the scope of *birta* and other tax-free tenures for the benefit of their supporters as well as of themselves.

The Fiscal System : Crown and State Revenues

As already noted, the present study is concerned only with the Kingdom's fiscal system in the residual sphere lying beyond

19. "Order Regarding Abolition of Jagir Lands in the Tarai Region", Chaitra Sudi 2, 1909 (Marga 1853), *RRC*, vol. 62, pp. 898-99.

20. Regmi, *Landownership in Nepal*, pp. 93-97.

the traditional jurisdiction of *rajas*, *birtaowners*, *jagirdars*, and other landowning elites. At this stage, it is necessary to add one more qualification delimiting the scope of the study. That qualification stems from the traditional division of the state-controlled fiscal system into two main branches. One branch lay under the jurisdiction of the royal palace and comprised revenues generally meant for the royal family and the royal household. Revenues meant for meeting the expenditures of the state comprised the other branch, which was administered by the government, and the proceeds of which were accounted for by the state treasury system. The distinction between these two branches of the fiscal system hinges on the fact that Crown revenues were normally not used to meet state expenditures. The present study is concerned only with sources of revenue under the jurisdiction of the government, but a brief note on Crown revenues will provide a more comprehensive understanding of the fiscal system.

The royal family traditionally appropriated income from a number of special levies such as *darshan-bhet*, *tikabhet*, and *fattemubarak*.²¹ The *darshan-bhet* levy was collected from government employees and functionaries at the time of their appointment, reconfirmation, or promotion. The *tikabhet* levy was similarly collected on the occasion of the Vijaya Dashami festival in October, and the *fattemubarak* levy at the time of the *Indrajatra* festival, commemorating Prithvi Narayan Shah's conquest of Kathmandu in September 1768. Income from the

21. "Royal Order Regarding Collection of Darshan-Bhet Levy", Chaitra Sudi 13, 1907 (March 1851), in Krishna Kant Adhikari, *Nepal Under Jung Bahadur, 1846-1877*, (Kathmandu : "Buku", 1984), vol. 1, pp. 208-9; "Abolition of Levies, A. D. 1951", *Regmi Research Series*, year 15, no. 1, January 1983, pp. 11-15. These three levies were abolished only after the downfall of the Rana regime. "Notification of the Ministry of Home", *Nepal Gazettee*, vol. 1, no. 9, Aswin 15, 2008 (October 1, 1951), pp. 3-4.

first two levies was apportioned among the King and other members of the royal family, but the *fattemubarak* levy was meant for the King alone. Statistics of revenues collected from these three levies in 1861 are given in the following table :—

Table 1
Revenue from Crown Levies, 1861²²

<i>Source</i>	<i>Amount of Revenue</i>
Darshan-Bhet	Rs. 36,946
Tikabhet	Rs. 1,825
Fattemubarak	Rs. 259
Total :	Rs. 39,030

At least three other levies were collected on a country-wide basis on special royal occasions. These were known as *chumawan*, *gadimubarak* and *goddhuwa*.²³ The *chumawan* levy was collected when the Crown Prince was invested with the sacred thread, and the *gadimubarak* levy when he ascended the throne. A sum of Rs, 449,914 was thus raised through the *chumawan* levy when Surendra Bir Bikram Shah was invested with the sacred thread in 1840 and Rs. 441,001 through the *gadimubarak* levy when he became King six years later.²⁴ *Goddhuwa* was collected during the wedding of the eldest royal princess. Oldfield has recorded :²⁵

On the marriage of the eldest princess, it is always customary to levy a capitation tax in order to raise her dowry...On the 8th of May 1854, the eldest daughter of the

22. "Revenue and expenditure of the Government of Nepal", 1918 (1861-62), *Regmi Research Collection* (Miscellaneous), pp. 22-3.

23. Mahesh C. Regmi, *A Study in Nepali Economic History, 1768-1846*, (New Delhi : Manjusri Publishing House, 1971), pp. 63-4.

24. "Revenues from the Gadimubarak and Chumawan Levies, 1904" (1847-48), *RRC*, Vol. 16, pp. 332-37.

25. Oldfield, *op. cit.*, pp. 408-11.

Maharajah (King Surendra)..., a child aged six years, was married to Jung's (Prime Minister Jung Bahadur's) eldest son (Jagat Jung), aged eight years...On occasion of this wedding, the bride, as eldest daughter of the King, received as dowry the results of a "capitation tax" on the inhabitants of the valley and neighboring districts. This tax was sold by Jang to a Newar at Patni (Patan), who paid 270,000 rupees...cash to him for it, all raised above that sum being the Newar's profit; the tax was expected to realize about three lakhs altogether.

Until the early 1820s, levies of various categories used to be collected on a country-wide basis for meeting festive, ceremonial, or extraordinary expenses at the royal palace.²⁶ *Saune* and *fagu* were the most important levies of this category.²⁷ They were collected from each household in the rural areas of the Kingdom every year in the form of boar, goats, ghee, and oil, or else commuted into payments in cash.²⁸ In 1813, the payments were reduced by half, and commutation was allowed as a rule rather than as an exception. An ordinary rural household thereafter paid 1 anna as *saune* and *fagu*, a *birta*-owning household 2 annas, and local functionaries as much as 4 annas each,²⁹ with 16 annas to the rupee. Because of administrative difficulties, the *saune* and *fagu* levies were removed from the jurisdiction of the royal palace,

26. Regmi, *A Study in Nepali Economic History*, pp. 63-64.

27. "Royal Order Regarding Use of Receipts from Saune and Fagu Levies", Falgun Sudi 8, 1852 (February 1797), *RRC*, vol. 5, p. 309.

28. "Royal Order Regarding Rates of Saune and Fagu Levies", Ashadh Badi 9, 1860 (June 1803), *RRC*, vol. 5, pp. 389-91.

29. "Royal Order Regarding New Rates of Saune and Fagu Levies", Baisakh Badi 5, 1875 (April 1813), *RRC*, vol. 41, pp. 249-50; Ashadh Sudi 3, 1885 (June) 1828, *RRC*, vol. 43, pp. 107-9; Baisakh Badi 6, 1888 (April 1831), *RRC*, vol. 44, pp. 260-1; Jestha Sudi 15, 1890 (May 1833), *RRC*, vol. 26, pp. 318-20.

amalgamated into a single levy, and brought under the state-controlled agrarian tax system in 1837.³⁰

The royal household had yet another traditional source of income under its direct administrative jurisdiction. That source comprised villages and rice fields, known as *sera*, as well as cattle farms in Kathmandu Valley and the adjoining hill areas. According to records available for the year 1851, *sera* lands totalled 11,430 ropanis (581.7 hectares) at 16 places, and cattle farms numbered at least seven. These lands and farms supplied such commodities as rice, wheat, ghee, oil, sheep, blankets, wax, honey, turmeric powder, eggs, and firewood worth about Rs. 47,878, in addition to a cash income of Rs. 3,365.³¹

The fact that the royal family and the royal household possessed independent sources of income did not, however, preclude the use of state revenues to finance royal expenses. The rulers of most contemporary South Asian states used the revenues of the state as their personal income and Nepal was by no means an exception. Indeed, the bulk of royal expenses was met from state revenues rather than from income collected from the Crown's own sources as mentioned above. These expenses included the privy purses of the King and other members of the royal family, amounts spent on their kitchens and wardrobes, religious expenses, and gifts and presents.³²

Main Categories of State Revenue

The other branch of the fiscal system comprised state revenues, or revenues which were collected and appropriated

30. "Royal Order to Sundar Regarding Revenue from Saune and Fagu Levies", Poush Badi 2, 1894 (December 1837), *RRC*, vol. 35, pp. 241-2.

31. "Revenue and expenditure of the Government of Nepal", 1908 (1851-52), *RRC*, (Miscellaneous).

32. *Ibid.*

by the state. This section will be devoted to a discussion of the main categories of state revenues.

To be sure, a logical classification of sources of revenue is a difficult task,³³ and "it is questionable whether any classification...can be constructed which is not open to criticism in terms of hairline distinctions."³⁴ In the context of nineteenth-century Nepal, this difficulty is compounded by the lack of uniformity in fiscal policies and practices followed in different parts of the Kingdom. This lack of uniformity may be attributed to a number of factors, such as geographical and climatic diversities, and the consequent diversity in the pattern of production and so of economic products and activities of taxable potentiality. The diversities of historical background, however, constitute a more proximate cause. Categories of revenue were different in different regions of the Kingdom because these regions had been administered under different political, economic, and administrative systems before the Gorkhali conquests, and because the Gorkhali rulers subsequently made no attempt to impose a uniform fiscal system all over the Kingdom. Notwithstanding such diversities, it appears possible to devise a system of classifying revenues into categories which may be realistic enough to illustrate the general character of the fiscal system.

The writings of contemporary British observers show that the sources from which the government of Nepal derived its revenues remained more or less unchanged over the decades. In 1793, Colonel Kirkpatrick, who spent about a month in Nuwakot and Kathmandu as an envoy of Lord Cornwallis, Governor-General of the East India Company's territories in India, listed the main categories of Nepal's revenues as

33, Hugh Dalton, *Principles of Public Finance* (New Delhi : Allied Publishers, 1971), P. 22.

34. Philip E. Taylor, *The Economics of Public Finance* (New Delhi : Oxford and IBH Publishing Co., 1974), d. 248.

follows : "Profits on elephants and duties on the export trade, mint, including imports levied on the import trade from Tibet; Duties on salt, profits on saltpetre (which appears to be a monopoly), profits on copper and iron mines, and land-tax."³⁵ On the eve of the Nepal-Britain war, Hamilton noted that in addition to land revenue, "the only other public revenues are the fines levied from offenders, which are sometimes considerable; the customs, which are very trifling; and some small profits arising from the mines, from elephants, and from the sale of sal or Sakhuya timber, from the forests below the mountains."³⁶ Nearly three decades after the beginning of Rana rule, Daniel Wright, Surgeon-Major at the British Residency in Kathmandu from 1863 to 1877, noted that "the revenue of Nepal...is chiefly derived from land-tax, custom-duties, the produce of the sal forests in the Tarai, and various government monopolies."³⁷

In the light of these observations, and a study of contemporary Nepali official source materials, we may classify revenues into three broad categories: taxes, receipts from the sale of commodities produced in the state sector, and revenues derived from state intervention in trade. But though these categories are distinct from one another in major characteristics, the line of demarcation cannot be followed rigidly for all characteristics.³⁸ In other words the categories of revenue mentioned above often overlap. For instance, commodities produced in the state sector, or those produced in the private sector but sold under different forms of state intervention, were simultaneously liable to the payment of different types

35. Colonel Kirkpatrick, *An Account of the Kingdom of Nepaul*, (reprint of 1811 ed., New Delhi : Manjusri Publishing House, 1969), p. 211.

36. Hamilton, *op. cit.*, p. 218.

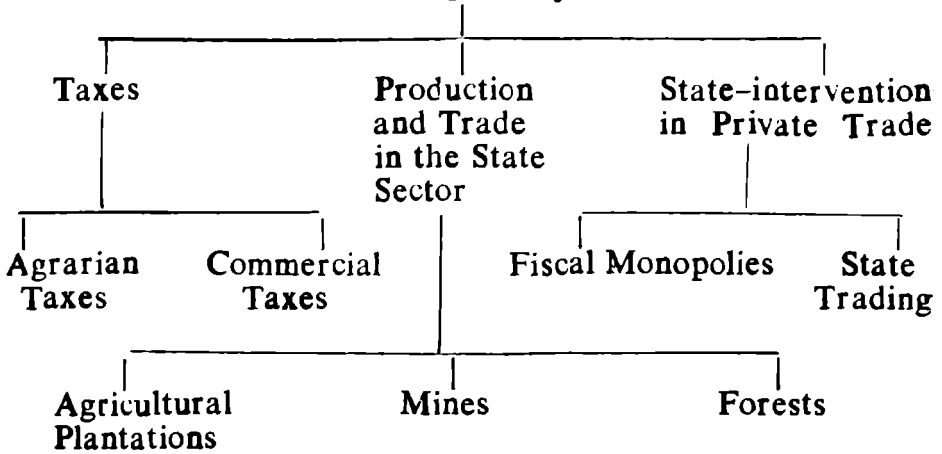
37. Daniel Wright, *History of Nepal* (reprint of 1877 ed., Kathmandu : Nepal Antiquated Book Publishers, 1972), p. 50.

38. Taylor, *op. cit.*, p. 248.

of commercial taxes. Consequently, the government derived revenue from the trade in such commodities in the form of both profits and taxes.

The revenue categories listed above may be schematically represented as follows :

Chart 1 : Categories of Revenue



Revenue categories apart from these three broad categories of taxes, receipts from the sale of commodities produced in the state sector, and revenues derived from state intervention in trade, will be omitted from our discussion. Those sources include fees, fines, and penalties of different categories, royalties on religious and charitable endowments, and tributary payments made by the *rajās* of feudatory principalities.³⁹ Such revenues were “a by-product of the administration of the control functions of government”⁴⁰ and so are essentially administrative in nature, rather than based on economic activity. Moreover, the cumulative contribution of such revenue receipts to the state treasury was relatively insignificant. The following sections, therefore, present brief descriptions of the three main categories of revenue mentioned above.

39. Mahesh C. Regmi, “Administrative Revenues in Early 19th Century Nepal”, *Regmi Research Series*, year 17, nos. 11-12, November-December 1985, pp. 161-72.

40. Taylor, *op. cit.*, p. 250.

A. Taxation :

A tax is usually defined as “a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax-payer in return, and not imposed as a penalty for any legal offence.”⁴¹ In simpler language, “taxes are compulsory payments to government without expectation of direct return in benefit to the tax-payer.”⁴² The term thus excludes payments of miscellaneous categories collected and appropriated by landowning elites and local functionaries at different levels from the inhabitants of territories under their jurisdiction, inasmuch as these payments were not credited to the state treasury. It also excludes fees, fines, and other administrative revenues.

Taxes may be classified in different ways. A traditional distinction is between direct and indirect taxes on the assumption that “a direct tax is really paid by the person on whom it is imposed, while an indirect tax is imposed on one person, but paid partly or wholly by another.”⁴³ It is also a common practice to make a distinction according to the taxable object between personal taxes, where tax liability is determined by virtue of the tax-payer himself, and taxes on property values, which are levied according to the criterion of a tangible object (e. g. real estate), or taxes on revenues, which are based on the profit yielded by the object of taxation regardless of the subjective characteristics of its recipient.⁴⁴ Such distinctions, however, possess little meaning in the context of nineteenth-century Nepal, because of our incomplete knowledge of such questions as incidence and the legal basis of tax liability. It

41. Dalton, *op. cit.*, p. 23.

42. Taylor, *op. cit.*, p. 252.

43. Dalton, *op. cit.*, p. 23.

44. Gunter Schmolders and Gertraud Seidenstecher, “Finance-- Public Finance”, in *Marxism, Communism and Western Society : A Comparative Encyclopedia* : (New York : Herder and Herder, 1972), vol, 3, p. 344.

may, therefore, be more meaningful to classify taxes according to the sector of the economy where they originated. Accordingly, we shall draw a distinction between agrarian taxes and commercial taxes. Agrarian taxes comprise those levied on lands used for agricultural purposes, as well as taxes on homesteads in rural areas. Taxes on the transit, export, import, and sale of commodities may be placed in the category of commercial taxes.

Property taxes, using property as an index of wealth for purposes of taxation, appear to have been rare in nineteenth century Nepal. It is easy to explain why successive rulers found it impractical to levy taxes of this category. Material property was virtually confined to land, which was already subject to various forms of taxes and rental payments. The majority of the people lived in thatched huts in the rural areas, on which they paid "roof" and other taxes, as we shall see in Chapter 4, while brick buildings with tiled roofs were rare enough to warrant a tax-exemption. The *pota* tax, first imposed in 1774 on selected categories of *birta* lands in Kathmandu, is the only tax which can logically be placed in the category of property taxes.⁴⁵ The tax was subsequently extended to Bhadgaun and Patan as well. There is no evidence that any comparable property tax was levied in any other part of the Kingdom.

Money incomes were similarly rarely used as a basis of tax-assessment. The reasons are easy to explain. Taxes on money incomes, in order to be properly assessed and collected, presupposes a fairly large body of wealthy persons with incomes that are easy to assess.⁴⁶ Nineteenth-century Nepal did possess such a body of wealthy persons, but a tax on their incomes was hardly practicable in normal times. These classes wielded political power, and so could scarcely be expected to

45. Mahesh C. Regmi, *Land Tenure and Taxation in Nepal*, (Kathmandu : Ratna Pustak Bhandar, 1978), p. 301.

46. John Hicks, *A Theory of Economic History*, (Oxford : Oxford University Press, 1969), p. 83.

use that power to their own financial detriment. Incomes were accordingly taxed not for raising regular revenues for the state treasury but for meeting specific expenditures of the royal household, or extraordinary expenditures necessitated by war or other emergencies. For instance, the extraordinary situation created by the 1855-56 Nepal-Tibet war led Jung Bahadur to impose a tax on the incomes of selected groups of people with easily assessable incomes, albeit on a one-time basis. The tax was collected at a flat rate of one-third of the total income, hence it was known as *trikhandi*. Needless to say, it was imposed wholly on agricultural incomes. It affected two groups of landlords : owners of *birta* lands of all categories, and *jagirdars* of middle and top levels.⁴⁷ Similarly, in 1891, Bir Shumshere imposed a levy of 1 percent on the official value of *jagir* assignments of government employees in all parts of the Kingdom to finance the transportation of pipes for a water supply scheme in the capital.⁴⁸ In normal times, however, taxes on money incomes were limited to isolated low-income groups. For instance, in 1882, Ranoddip Simha imposed a 50 percent tax on the income made by fishermen in Deukhuri in the western inner Tarai from the sale of fish.⁴⁹ Because of the obvious problems of assessment and collection, however, one wonders whether local authorities were not over-zealous in recommending such a measure.

B. Receipts from the State Sector :

Receipts from the sale of commodities produced in the state sector comprise the second category of revenues listed in the foregoing section. Such receipts owe their origin to the state

47. "Prime Minister Bam Bahadur's Order Regarding Imposition of *Trikhandi* Levy", Bhadra Badi 5, 1913 (August 1856), Regmi Research Collection (RRC), vol. 30, pp. 435-7.

48. "Levy on *Jagir* Incomes, 1891", *Regmi Research Series*, year 13, no. 2, February 1, 1911, d. 31.

49. "Order Regarding Imposition of Tax on Fishermen in Deukhuri", Jestha Badi 7, 1939 (May 1882), RRC, vol. 91, pp. 53-60.

ownership of natural resources, mainly agricultural lands, mines, and forests. Notwithstanding state ownership, the actual mode of production, and resource-mobilization by the state from such production, were different for each of these three categories of natural resources.

Even when agricultural lands were retained by the state under its own formal ownership, the actual function of production was performed by peasants, who fully bore the costs and risks of cultivation and so may be placed in the category of independent producers. Agriculture was, therefore, a fully private enterprise. During the latter part of the nineteenth century, the Rana government introduced a system of plantation agriculture under the direct ownership and control of the state. These plantations were limited to tea and cotton, and the experiment can be regarded as significant from the viewpoint of neither the scale of production nor the amount of revenue. Even then, it would appear to be of interest, inasmuch as it meant the introduction of a new mode of agricultural production. In any case, the early Rana rulers sought to develop state-owned plantations with the motive of earning revenue, and the subject can hardly be omitted in our study of the fiscal system of the Kingdom.

Mineral resources, as already pointed out at the beginning of this chapter, were traditionally exclusively owned by the state. To be sure, these resources were actually exploited through individuals under various tenurial arrangements, but production and trade always remained under state control and supervision. Forests came next in the list of natural resources used for production and trade in the state sector. Large quantities of timber were exported to India from the forests of the Tarai and inner Tarai regions, in addition to such auxiliary products as medicinal herbs. A sizeable amount of revenue was derived from such export trade, although its scope was circumscribed by large-scale grants of forests in the Tarai region to influential people under the *birta* system, particularly to prominent members of the Rana family.

C. State Intervention in Trade⁵⁰

Production in the state sector comprised an infinitesimal part of the total national product, the bulk of which was produced and traded in the private sector. A part of the income earned by private merchants was absorbed by the state through commercial taxation. Such taxation, however, was limited to the movement, sale, import, and export of commodities and so left untouched a significant part of the merchant's profits. The state lacked both the tradition and the capability to assess and tax such profits, hence it resorted to a more direct method of raising revenue from that source, which we may designate as state intervention. Such intervention meant that the state controlled sources of supply of goods with distribution being confined to traditional customers according to traditional practices. State intervention made it possible for the government to manipulate the terms of trade to the detriment of the producer and the trader. The difference between the price actually paid by the state and the price that the producer and the trader would have been able to get in the market in the absence of state intervention was appropriated by the state in the form of profits.

There were two main forms of state intervention in trade : namely-monopoly and state trading. Monopoly means the exclusive right of the state to deal in any specified commodity in any specified area. It is "essentially a tax device; the difference between the charge of the monopoly and what the price would have been if the commodity or service were supplied under competitive conditions constitutes the indirect payment of a consumption tax."⁵¹ Monopolies were of two categories, fiscal and procuremental. Fiscal monopolies mean

50. This section is based on Regmi, *The State and Economic Surplus*, pp. 213-6.

51. Herbert Gross, "Public Monopolies", in *Encyclopaedia of the Social Sciences*, (New York : MacMillan and Co., Ltd., 1963), vols. IX-X, p. 619.

arrangements under which the state assumes the exclusive right to buy and sell specified commodities in specified areas with the objective of raising revenue. Procurement monopolies, on the other hand, were aimed primarily at ensuring an adequate supply of scarce commodities needed by the government. Such monopolies lie outside the scope of the present study, but the distinction is not always clear-cut and some monopolies were instituted with both objectives. Fiscal monopolies must be distinguished from contracts issued by the government for the collection of commercial taxes. The distinction hinges on the nature of the function. Fiscal monopolies refer to the buying and selling of specific commodities with the objective of raising revenue, whereas contracts for the collection of commercial taxes do not cover such commercial operations. State trading, on the other hand, meant a system under which the state engaged in the buying and selling of monopoly and other items at specified markets with the motive of earning profits. The distinction between these two forms of state intervention must be noted carefully. The emphasis in the case of state trading was on specified market centers where the state engaged in the buying and selling of specified commodities, and through which it sought to canalize the flow of trade. In contrast, the emphasis in the case of fiscal monopolies was on commodities produced and traded in an area with roughly defined boundaries, irrespective of the place where transactions actually took place. No attempt was ever made under the fiscal monopoly system to regulate the flow of trade; rather, the monopolist posted his agents along main routes or ferry points through which commodities were transported to the market.

The Treasury System

Throughout the nineteenth century, Nepal's fiscal system was marked by the absence of a central treasury with exclusive jurisdiction over the functions of "receiving, paying, accounting for, and safe-keeping government funds"⁵² raised

52, Taylor, *op. cit.*, p. 38.

from the sources mentioned in the previous section. To be sure, a central department, known as the *Kausi Tosakhana*, had been established some time after the political unification of the Kingdom during the later years of the eighteenth century. Its main functions were to receive and disburse revenues, procure, store, and issue supplies required by the government, and, in addition, perform other general functions relating to fiscal administration.⁵³ However, the *Kausi Tosakhana* was not equipped with exclusive authority over receipts and disbursements. Revenues were collected at a number of local points throughout the Kingdom, and it was a common practice for Kathmandu's rulers to issue direct orders to the local revenue-collecting authorities to make disbursements to specified individuals for specified purposes.⁵⁴ Such local disbursements were useful for two main reasons. In the first place, they rendered unnecessary the physical transmission of coins back and forth between the center and the districts. Revenue was collected in coins, whose transportation to Kathmandu through difficult terrain and over long distances was a slow, arduous, and risky operation. It would also be a

53. For references to the *Kausi Tosakhana* and its functions, see Krishna Kant Adhikari, *Nepal Under Jung Bahadur, 1846-1877*, (Kathmandu: "Buku", 1984), pp. 68-69, and H. N. Agrawal, *The Administrative System of Nepal* (New Delhi: Vikas Publishing House Pvt. Ltd., 1976), p. 80. For Brian H. Hodgson's account of the *Kausi Tosakhana*, see Daniel W. Edwards, "Nepal on the Eve of the Rana Ascendancy", *Contributions to Nepalese Studies*, vol. 2, no. 1 (Special Coronation Issue), Phalgun 2031 (February 1975), p. 111.

54. Some cases of such local disbursements have been recorded in "Miscellaneous Documents of 1887 Vikrama", *Regmi Research Series*, year 9, no. 11, November 1, 1977, p. 175. See also Mahesh C. Regmi, "Revenue Receipts of the Government of Nepal During the Nineteenth Century", *Ibid.* year 9, no. 8, August 1, 1977, pp. 119-126.

futile operation if the coins were to be sent back to the districts for disbursement. In the second place, disbursements at the local level eliminated delays in the utilization of revenues collected in areas outside Kathmandu.

The revenues that were locally disbursed in this manner were not recorded in the accounts of the *Kausi Tosakhana*. For example, in 1831, Subba Dharma Raj Khatri was granted authority for one year to collect revenue from different sources in the Seoraj area of the western Tarai region. He stipulated a total payment of Rs. 19,004 for the one year period. From this amount, he was ordered to disburse Rs. 11,502 as salaries to local military personnel and transmit the balance of Rs. 7,502 to the *Kausi Tosakhana*.⁵⁵ The point that needs to be stressed in the present context is that revenue from Seoraj in 1831 totalled Rs. 19,004, but the accounts of the *Kausi Tosakhana* showed an entry of only Rs. 7,502 on the credit side. Accounts of the *Kausi Tosakhana* were not, consequently, a true indicator of the state of the nation's finances.

The early Rana rulers made several changes in the treasury system. In particular, Jung Bahadur created a new department, known as the *Sadar Mulukikhana*, to receive and account for government revenues.⁵⁶ The *Kausi Tosakhana* thereafter managed sources of revenue, while the *Sadar Mulukikhana* received the proceeds. The *Kausi Tosakhana* received a sum of Rs. 100,000 at a time from the *Mulukikhana* for prescribed

55. "Ijara Grant to Subba Dharma Raj Khatri for Revenue Collection in Seoraj, Magh Badi 9, 1887 (January 1831) *RRC*, vol. 44, pp. 174-75.

56. "Revenue and Expenditure of the Government of Nepal", 1909 (1852) *RRC* (Miscellaneous), pp. 59-60. According to regulations enforced in late 1861, district revenue offices in the Tarai region were ordered to transmit revenues to the *Sadar Mulukikhana* in consignments of Rs. 20,000 each. "Revenue Regulations for the Eastern Tarai Districts", Marga Badi 6, 1918 (November 1861), sec. 52, *RRC*, vol. 10, pp. 37-38.

expenditures and made disbursements accordingly, but salaries of civil and military employees were disbursed by the *Sadar Mulukikhana*. In either case, accounts of central disbursements were maintained at the *Kausi Tosakhana*.⁵⁷

However, the traditional practice of sanctioning disbursements at the point of collection was left unchanged, and even given an institutional character. As we shall see in Chapter 3, revenue offices were established in almost all districts of the Kingdom during the 1860s, and these offices not only collected revenues but also functioned as local treasury offices. There were thus parallel treasury systems at central and district levels, but the central treasury only received and accounted for the surplus revenues that were left after making local disbursements. Toward the end of his rule, Ranoddip Singh made an attempt to centralize the accounting of local disbursements, but the attempt proved unpractical and seems to have been given up a few months after Bir Shumshere became Prime Minister.⁵⁸ A sizeable amount of revenue, consequently, never reached the central treasury and was not even credited to its accounts. Accounts of revenue were kept separately by various government offices at the central and district levels, but were never consolidated for the Kingdom as a whole.⁵⁹

It may also be noted in passing that the Rana Prime Minister, in his capacity as the executive head of the govern-

57. Government of Nepal, "*Tosakhana Mulukikhanako*", (Law relating to the *Tosakhana* and the *Mulukikhana*", in *Ain* (Legal Code), (Kathmandu : Gorkhapatra Chhapakhana, 1975 (1918), pt. 2, pp. 23-26.

58. "Appointment of Subba Shankar Prasad as Chief of Parsa Mal", Poush Badi 8, 1942 (December 1885), *RRC*, vol. 56, pp. 100-11; "Order to the Kanchanpur Mal Regarding Accounts of Revenue Collections", Magh Badi 13, 1942 (January 1886), *RRC*, vol. 54, pp. 545-54.

59. Agrawal, *op. cit.*, p. 129.

ment, exercised full control over state funds. His personal, household, official, and other expenses, like those of the royal family and the royal household, were met almost entirely from such funds.⁶⁰ In addition, he appropriated for himself all surplus revenues of the state. Parsimony in such expenses was, therefore, a characteristic feature of the Rana fiscal system. The Rana Prime Minister tried to spend as little as possible in running the affairs of state so as to leave as big a revenue surplus as possible as his personal profit.

60. Cf. "Revenue and Expenditure of the Government of Nepal", 1851 (See n. 31 above) see also : "Remittances to Calcutta, 1901-2" *Regmi Research Series*, year 13, no. 9, September 1, 1981, p. 139. This report contains abstract translations of orders issued to different revenue offices in the Tarai region to remit funds to the Nepali Wakil's Office in Calcutta for the purchase of gold and other supplies for the Rana Prime Minister. In view of such broad powers, it is difficult to understand why Rana Prime Ministers occasionally secured extraordinary fiscal privileges from the King which entitled them to appropriate state revenues from specific sources, or from specified territories, under prescribed conditions. Two cases may be cited to illustrate the nature of such privileges. In 1864, King Surendra conferred on Prime Minister Jung Bahadur the right to appropriate as his personal income agrarian revenues from the hill region in excess of the average amount credited each year during the 34 years of Bhimsen Thapa's Prime Ministership. (Order to Khajanchi Shiva Prasad Aryal", Kartik Sudi 7, 1913 (October 1856) in Adhikari, *op. cit.*, p. 123). Jung Bahadur formally relinquished that right in 1872. ("Order to the Sadar Dafdar-khana regarding Fiscal Privileges of Prime Minister Jung Bahadur", Asadh Sudi 8, 1931 (June 1874), *RRC*, vol. 80, pp. 804-5. For nine years, however, surplus revenues from that source accrued to him personally, not to the state treasury. Nearly three decades later, Prime Minister Bir

To sum up : The fiscal system of Nepal during the Rana period had a narrow base because of a number of traditional limitations. Chief among these limitations were arrangements to meet the state's need for goods and services partly through non-monetary mechanisms, and the contraction of the state's fiscal authority through the grant of agricultural lands and other sources of revenue to individuals, institutions, and ethnic groups under various forms of tax-free tenures. The fiscal system was also characterized by a decentralized treasury system, which makes it virtually impossible to calculate the total amount of revenue collected by the Rana government in any year. It would, of course, be possible to make such a calculation through a collation of accounts submitted by the central treasury and local revenue offices for purposes of audit. But even if those accounts were available, their collation over a period of more than half a century covered by the present study would be a gigantic undertaking which is beyond the author's time, energy, and resources.

Revenue Statistics :

The period of about ten years after 1851 during the Prime Ministership of Jung Bahadur appears to be an exception. Accounts of revenue collection were maintained during this period on an annual basis, and are actually available for

Shumshere obtained a similar privilege in Chitwan district Revenue from land tax, timber exports, and other sources in that district totalled Rs. 38,833 a year at that time. A royal order was issued in 1895 empowering Bir Shumshere to reorganise the system of revenue administration in Chitwan and appropriate any amount that could be collected in excess of Rs. 100,000 a year, "Royal order to Prime Minister Bir Shumshere Regarding Surplus Revenues of Chitwan", Falgun Badi 14, 1953 (February 1897), RRC, vol. 90, pp. 314-16. No information is available about the financial benefit that the two Rana Prime Ministers actually derived from these extraordinary privileges.

research purposes. Statistics of revenue recorded in these documents provide a point of reference to evaluate the policies and programs introduced by the Rana rulers in subsequent years for mobilizing new sources of revenue and ensuring a more intensive exploitation of existing sources. The following table accordingly presents statistics of revenue for the year 1851 from the different sources mentioned above.

It is necessary to insert an explanatory note before presenting the table. The revenues of the government of Nepal were then collected in at least 13 different currency units, about half of which originated in India. The Nepali units included the Mohar rupee, *paisa* rupees comprising 16, 20 or 22 *gandas* or 4-*paisa* units each, and Gorkhapuri rupees of 12 or 18 *gandas* each. Until more accurate calculation is possible, all Indian currency units, as well as all Nepali currency units, will be treated as homogeneous units. No information is available about the exchange value of these units in terms of each other. We only know that the official exchange rate for Indian rupees minted at Patna in terms of the Mohar rupee was 100 : 123.⁶¹ The following statistical information is given in Mohar rupees or the basis of that exchange rate.

Table 2 : Revenue Receipts of the Central Treasury, 1851⁶²

Source	Amount	% of Total Revenues
1. Agrarian Taxes	Rs. 1,021,107	72.16
2. Income from State Sector		
(a) Forests-Rs 38,863)	Rs. 158,682	11.2
(b) Mines -Rs 119,819)		
3. Commercial Taxes	Rs. 134,514	9.5
4. State Intervention in Trade	Rs. 20,635	1.45
5. Other sources	Rs. 80,664	5.69
Total :	Rs. 1,415,602	

61. Regmi, *The State and Economic Surplus*, p. 225,

62. Compiled from : "Revenue and Expenditure of the Government of Nepal", 1908 (1851), *RRC (Misc.)*. A sum of Kampani Rs. 42,667 and Mohar Rs. 47,137, making a total of Mohar Rs. 99,617, being the amount of agrarian tax

In 1861, the figure had reached Rs. 3.5 million, or two and a half times what it was ten years previously.⁶³ Comparable statistics are not available for the subsequent years of the nineteenth century, so we have to depend on estimates made by knowledgeable sources. In 1877, the last year of Jung Bahadur's rule, Daniel Wright noted that, "the revenue of Nepal is about 96 lakhs of rupees", that is, Rs. 9.6 million.⁶⁴ Nearly ten years later, G. H. D. Gimlette referred to Wright's estimate and expressed the view that "from that to a hundred lakhs must be near the mark."⁶⁵ On the basis of these figures, an estimate of Rs. 12 million a year toward the end of Bir Shumshere's rule in 1900 would seem to be warranted. This would mean an increase by 827.5 percent between 1851 and 1900. Our estimate would appear to be substantiated by the statement made by a knowledgeable Nepali source in a recent publication that the Rana government received a revenue of approximately Rs. 20 million a year during the early 1920s.⁶⁶ It may be noted in passing that in 1950-51, the final year of Rana rule, revenue amounted to no more than about Rs. 29 million.⁶⁷

But though revenue may have increased by about 827.5 percent between 1851 and 1900, it needs to be remembered

revenue collected from *jagir* lands in the eastern Tarai region which were resumed as *jagera* by Jung Bahadur, has been excluded.

63. "Revenue and Expenditure of the Government of Nepal", 1918 (1861), *RRC* (Misce.)
64. Wright, *op. cit.*, p. 50
65. Gimlette, G.H.D., *Nepal and the Nepalese*, (London : H. F. and C. Witherly, n. d.), p. 82.
66. Sardar Bhim Bahadur. Pande, *Tyas Bakhatko Nepal* (Nepal in those times), (Kathmandu, Center for Nepal and Asian Studies, Tribhuvan University, 2039 (1982), p. 118.
67. "Revenue and Expenditure of the Government of Nepal, 1951" *Regmi Research Series*, year 13, no. 12, December 1, 1981 pp. 177-8.

that this was only a nominal increase, the percentage of increase in real terms was probably much less. We have no means of ascertaining the real value of the revenue in 1851 and 1900, but it seems possible to hazard a rough guess on the basis of changes in the price of coarse rice in the Kathmandu market. The price was about 32 *manas* a rupee in 1851, but only 13.25 *manas* in 1900.⁶⁸ The commodity was thus about 2 1/2 times more costly in 1900 than in the former year. On that basis, the amount of Rs. 1.45 million collected in 1851 was actually worth Rs. 3.62 million in 1900, hence the percentage of increase in real terms may have been no more than 331.5.

Concluding Remarks :

Notwithstanding such an increase in the amount of revenue in the half-century covered by the present study, available evidence suggests that the relative importance of each of the categories of revenue listed above remained more or less unchanged. That is to say, approximately two-thirds of the total revenue was derived from agrarian taxes, while commercial taxes, profits from the sale of commodities produced in the state sector, and revenue from state intervention in trade in commodities produced in the private sector yielded the remaining one-third. This would mean that throughout the early Rana period the Kingdom's economy remained based mainly on agriculture, while non-agricultural occupations remained relatively unimportant, and trade and commerce relatively undeveloped.



68. "Prices of Essential Commodities, A. D. 1852 and 1900"
Regmi Research Series, year 10, no. 10, October 1, 1978,
p . 160.

CHAPTER III

Fiscal Administration

This chapter describes the system of fiscal administration devised by the early Rana rulers for the collection of revenue from the sources that have been enumerated in Chapter 2. The subject is of intrinsic importance in the context of the present study, for the nature of fiscal administration determines the amount of revenue that the government is actually able to collect from the sources available to it at any time. We shall here present an outline of the system followed during the early part of the 19th century, and then discuss the changes that the early Ranas introduced in this field. It needs to be noted that the system of fiscal administration has seldom been of a uniform type in the Kingdom; indeed, historical, geographical, and other factors have cumulatively contributed to wide diversities. We shall, therefore, discuss the systems followed in the Tarai and the hill region during the early 19th century and then gradually unravel the intricacies of intra-regional diversities within the regional framework. The emphasis will be on systems used for the collection of agrarian taxes, the mainstay of the nation's fiscal system. Arrangements for collection of revenue from other sources will be noted in passing, to be discussed in detail in the appropriate chapters.

The Structure of Fiscal Administration

Notwithstanding the regional diversities mentioned above, pre-Rana systems of fiscal administration possessed a number of general characteristics which must be explained from the outset. For the purpose of the present study, we shall confine our attention to two of those characteristics. Firstly, a permanent machinery of fiscal administration did not exist at any level other than the central level. Secondly, the entire system was based primarily on contractual or revenue-farming arrangements in various forms.

The primary territorial unit of fiscal administration was the *mouja* in the Tarai and the village in the hill region. The distinction between the two units must be carefully noted. The term *mouja* is of Arabic origin and seems to have reached Nepal through northern India, where it was officially defined as "a parcel or parcels of lands having a separate name in the revenue records, and of known limits.¹" In the light of the Indian usage, and Nepal's own traditional application of the term, we may define the *mouja* as a unit of settlement and cultivation which had been recorded in the tax register. Because a *mouja* normally included uncultivated lands within the prescribed boundaries, emphasis was on fiscal liability rather than on actual settlement and cultivation. The village of the hill region had a less complex denotation, for it meant nothing more than a cluster of households or hamlets with usually undefined boundaries. The *mouja* was a fiscal unit created as such, whereas the village was a sociological unit adapted for the purpose of fiscal administration. It is indeed suggestive that the size of a *mouja* in the Tarai was usually calculated in terms of the tax-assessment figure, and of a village in the hill region in terms of the number of households.

1. H. H. Wilson, *A Glossary of Revenue and Judicial Terms and Useful Words Occurring in Official Documents Relating to Administration of British India* (reprint of 1855, ed., Delhi: Munshiram Manoharlal 1968), p. 336.

The functions of fiscal administration in *moujas* and villages were traditionally performed by the local headman, a prominent landowner or the chief of the dominant caste or ethnic group. Various terms were used to denote that functionary in different areas, but the most common terms are the *mokaddam* in the *moujas* of the Tarai region, and the *mukhiya* in the villages of the hill region. There were also a multitude of other functionaries and sub-functionaries who performed specific tasks traditionally assigned to them, but a detailed description of their functions would add little of substance to the basic theme of our study.

Both these units—the *moujas* of the Tarai region and the villages of the hills—were usually of very small size. As mentioned above, *moujas* were usually classified according to the volume of revenue assessment, but even *moujas* of the top category were expected to yield no more than Rs. 400 each.² *Moujas* of that size appear to have been rare, however. For instance, not even one of the 141 *moujas* in the Seoraj area of the Western Tarai region belonged to this category in 1837.³ These observations would appear to be more or less true of villages in the hill region as well. In most parts of the region, “a village is deemed considerable if it has from sixty to one hundred houses.”⁴ Such large villages, were, however, few

2. “Survey Regulations for the Eastern Tarai Districts” Marga Badi 6, 1918 (November 1861), sec. 25, *RRC*, vol. 10, pp. 166-7; “Revenue Regulations for the Western Tarai Region”, Marga Badi 6, 1981 (November 1861), sec. 18, *RRC*, vol. 47, pp. 588-9.

3. “Thek-Thiti Arrangements in Seoraj”, Jestha Badi 30, 1894 (May 1837), *RRC*, vol. 34, pp. 374-412.

4. “From C. E. R., Girdlestone, Esq. C. S., Resident in Nepal, to T. H. Thornton, Esq. D. C. L., Offg Secy to the Govt. of India, Foreign Dept., “September 19, 1976, in “Trade Between British India and Nepal”, Foreign Department (Revenue A) Consultations, No. 13, National Archives of India, New Delhi, cited hereinafter as “Girdlestone Report”, p.1.

and far between. As the British Resident, C. E. R. Girdlestone, recorded in 1876: "Of such large villages on the military route from Kathmandu through Banepa, Dunkoota and Ilam to the eastern boundary—a distance of some two hundred and thirty miles—there are only eleven."⁵ In the Gam area of Jumla, there were in 1847 a total of 49 villages with 895 households, an average of 18.2 households, and the largest, 54 households.⁶ It is surprising that even these small units of fiscal jurisdiction were occasionally under the fragmented jurisdiction of a number of *mukhiyas*. For instance, the village of Upallo-Ghachok in Kaski district had as many as four *mukhiyas* for its ninety households,⁷ while Dandachhatyal village in Gam, Jumla, comprised 15 households from whom revenue was collected by two *mukhiyas*.⁸

Because the small size of *moujas* and villages hampered effective fiscal supervision, several of them were grouped together to form an intermediate unit of fiscal administration. Different terms were used in different parts of the Kingdom to denote that unit, namely, *dara* in Jumla and *garkha* in Doti district of the far-western hill region, *thum* in other parts of the hill region, *tappa* in the western and far-western Tarai region, and *parganna* in other parts of the Tarai region. The *thum* appears to have become obsolete at the time of the com-

5. *Loc. cit.*

6. "Royal Order Regarding Thek-Thiti Arrangements in Gam, Jumla District", Chaitra Sudi 3, 1900 (March 1844) Yogi Naraharinath *Itihasa-Prakasha*, (Light on history) vol. 2, pt. 2, (Kathmandu : Itihasa-Prakashaka-Sangha, 2013/1956), pp. 273-84.

7. "Thek-Thiti Arrangements for Revenue Collection in Upallo-Ghachok Villages, Kaski District" Baisakh Sudi 14, 1895 (My 1837), *RRC*, vol., 34, pp. 295-6.

8. "Royal Order Regarding Thek-Thiti Arrangements in Gam, Jumla District", (See no. 6 above), p. 203.

mencement of Rana rule.⁹ Elsewhere, prominent members of the local community traditionally discharged the functions of fiscal administration at the intermediate level. These functionaries may be listed as the *Chaudhari* of the *tappas* and *pargannas* of the Tarai region, and the *jimmawal* of the *daras* and *garkhas* of the far-western hill region.¹⁰

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9. In 1892, Bir Shumshere made an attempt to revive *thums* in the hill region for the collection of agrarian taxes on *jagera* lands and homesteads. The new *thum* comprised an area yielding a revenue of Rs. 9,000 or Rs. 10,000 and was placed under the authority of a local functionary named after the traditional *Umra*. The *Umra* was given emoluments in the form of newly-reclaimed lands yielding an income of Rs. 100 a year, as well as the free services of an ox-team, or else one laborer, from each household during the agricultural season between June and November. "Revenue Collection in the Hill Region", *Regmi Research Series*, year 15, no. 9, September 1983, pp. 141-2, However, there is no evidence that this proposal ever got off the ground.
10. Mahesh C. Regmi, *Thatched Huts and Stucco Palaces : Peasants and Landlords in 19th Century Nepal* (New Delhi : Vikas Publishing House Pvt. Ltd., 1978), pp. 70-2, "Revenue Collection in Jumla", *Regmi Research Series*, year 11, no. 1, January 1, 1979, p. 16, "Jimmawals of the Baisi Region", *Ibid*, year 11, No. 5, May 1, 1979, pp. 76-77. In early 1840 *dara*-level *Jimmawals* were abolished on an experimental basis in Jumla on the ground that their authority conflicted with that of Jagirdars to whom agrarian-tax revenue from the district had been assigned as *jagir*. In 1854, the Rana government enforced this measure throughout the Bheri-Mahakali region. The new system required village *mukhiyas* to transmit the stipulated amount of revenue directly to the headquarters of the military unit to whom it had been assigned as *jagir*. However, the large number of village-level *mukhiyas* rendered such a direct link difficult. In Jumla, for instance, the local army headquarters office had

Compared with the small size of *moujas* and villages, the *tappas* and *pargannas* of the Tarai region, and the *daras* and *garkhas* of the far-western hill region, were fairly large territorial units. Around the middle of the 19th century, the entire eastern Tarai region, encompassing an area of 5,155 square miles, was divided into no more than 49 *par_gannas*, the average area of a *parganna* being slightly more than 100 square miles. The ratio between the area of the district and the number of *pargannas* was lowest in Bara district, with 9 *pargannas* in an area of 511 square miles, and highest in Mahottari district, with only three *pargannas* in an area of 819 square miles.¹¹ It seems surprising, in these circumstances, that often several *pargannas* were placed under the jurisdiction of a single *Chaudhari*. In 1833, for instance, there was one *Chaudhari* for all the four *paragnnas* comprising Sarlahi district at that time.¹² *Daras* and *garkhas* too were fairly big units. For instance, the district of Jumla, comprising an area of 5,662 square miles, was divided into only about 16 *daras*, with an average area of 354 square miles in each *dara*.¹³ There is no evidence, however, that any *jimmawal* in the far-western hill region exercised jurisdiction over a number of *daras* or *garkhas*.

There was yet another level of fiscal administration, namely, the district, comprising a number of *tappas* or *pargannas* in the Tarai region, and *thums*, *garkhas* and *daras* in the hills. The districts into which the Kingdom was divided for pur-

to maintain direct contacts with as many as 900 village-level *mukhiyas* under the new system, whereas previously it dealt with no more than about twenty *jimmawals*. The *dara*-level *jimmawal* was, therefore, restored in 1866.

11. "Districts and *Pargannas* in the Eastern Tarai Region", *Regmi Research Series*, year 17, nos. 1-2, January-February 1985, pp. 22-5,
12. "Appointment of Gobind Mandar as *Chaudhari* in Sarlahi", *Jestha Sudi 2*, 1890 (May 1833), *RRC*, vol. 26, p. 313,
13. "Revenue Assessments in Jumla", *Regmi Research Series*, year 15, no. 9, September 1983, pp. 129-30.

poses of civil and military administration have been listed in Chapter 1, but not all such administrative districts were units of fiscal administration as well. In general, it would appear correct to say that districts were treated as units of fiscal administration only in areas under the direct fiscal jurisdiction of the government. During the early 1830s, the British Resident at Kathmandu, Brian H. Hodgson, had noted that "in the whole country westward from Kathmandu, as far as the Narayani river, and eastward as far as the Dud Kosi river, there is no specific *aggrandisement*, district, or Zilla, "because these large tracts of country are assigned principally to the *Compu*, or army stationed in the capital".¹⁴ Hodgson's observation seems to have had a wider application than he suggests. Almost none of the hill and inner Tarai districts had a district level machinery of fiscal administration because they were largely under the fiscal control of *birta* owners and *jagirdars*.

There were, of course, a large number of lands and homesteads under *jagera* tenure in different parts of the hill region, which had not been granted as *birta* or *jagir* and so were under the direct fiscal jurisdiction of the government. Because such lands and homesteads were widely dispersed, and occasionally remained under *jagera* tenure only intermittently, local institutional arrangements for collection of taxes were seldom a viable proposition. Instead, the function formed part and parcel of the responsibilities of a central office known as the *Sadar Dafdarkhana*.¹⁵ The owners of such *jagera* lands and

14. Brian H. Hodgson, "Some account of the system of Law and Police as recognized in the state of Nepal" *Journal of the Royal Asiatic Society of Great Britain and Ireland*, vol. 1, 1834, p. 275.

15. Brian H. Hodgson's description of the functions of the *Sadar Dafdarkhana* during the 1840s is cited in Daniel W. Edwards, "Nepal on the Eve of the Rana Ascendancy" *Contributions to Nepalese Studies, Special Coronation Issue*, vol. 2, no. 1, February 1975, p. 112, "Regulations for the Sadar Dafdarkhana in the name of Ditttha Kalidasa", *Magh Badi* 1, 1919 (January 1865), *RRC*, vol. 47, pp. 408-16.

homesteads were usually expected to visit Kathmandu themselves to pay their taxes at that office. Alternatively, a local person was assigned the responsibility of collecting such taxes and transmitting the proceeds to the *Sadar Dafdarkhana*.¹⁶ The *Sadar Dafdarkhana*, however, appears to have been unable to exercise effective supervision over *jagera* lands in the districts, for there was no regular administrative channel through which it could collect arrears from recalcitrant landholders. Tax delinquency accordingly seems to have been a chronic problem. The *Sadar Dafdarkhana* traditionally dealt with the problem of tax delinquency by deputing employees to different parts of the central hill region every year to collect such payments, instead of creating a local administrative machinery for that purpose.¹⁷

Indeed, district-level arrangements for the collection of agrarian taxes were feasible only in the Tarai-region, which yielded large amounts of revenue to the government, besides large *birta* and *jagir* incomes to the landowning elites. At the time of the commencement of Rana rule, administrative districts which also functioned as units of fiscal administration were confined to the seven districts of the eastern Tarai, namely Morang, Saptari, Mahottari, Sarlahi, Rautahat, Bara and Parsa. Chitwan district in the central inner Tarai was also a separate unit of fiscal administration, although occasionally revenue from that district was assigned under the *jagir* system.¹⁸ The administrative district of Butwal encompassed

16. "The Bakyauta Tahasil Adda", *Regmi Research Series*, year 11, no. 2, pp. 18-20; "Problems of Land Administration in Central Hill Region", *Ibid.* year 13, no. 11, November 1, 1981, pp. 173-6, and year 13, no. 12 December 1, 1981, pp. 187-192.

17. "Royal Order to Hawalder Bakabir Khatri to collect Taxes on *Jagera* Lands in Trishuli-Bheri Region", Baisakh Sudi 4, 1901 (April 1845), *RRC*, vol. 31, p. 286.

18. "*Ijara* Grant to Jagannath Padhya for Revenue Collection in Chitwan", Poush Badi 2, 1894 (December 1837), *RRC*,

the entire western Tarai but fiscal arrangements were made separately for each of its four constituent *tappas*, namely, Palhi, Majhkhand, Sheoraj, and Khajahani. The far-western Tarai came under Nepal's control only in 1860, hence it will find no place in our description of the pre-Rana system of fiscal administration. The arrangements that were made for the collection of agrarian taxes and other revenues in these Tarai districts were seldom of an institutional character. That is to say, they were operated by individuals appointed by the government for the purpose from time to time under specified terms and conditions.

Contractual and Revenue – Farming Arrangements

This brings us to a discussion of the second important characteristic of the pre-Rana system of fiscal administration that we had listed at the beginning of this section, namely, the dominance of contractual and revenue-farming arrangements. Agrarian taxes in both the hill regions and the Tarai were collected either by local functionaries under various forms of *thek* or contract, or by individuals who offered the highest bid for any specified area or source of revenue under the revenue-farming or *ijara* system. In either case, the government received only what the *thekdar* or *ijaradar* stipulated, rather than what was actually collected from the people.

During the early years of the nineteenth century, agrarian-tax revenues in the villages of the hill region were usually collected under the *thek* system. The different forms of that system that were used in different parts of the hill region have been described elsewhere; such details would appear to be unnecessary in the context of the present study. It will be sufficient to make a broad distinction between two categories of *thek* settlements, namely: *thekthiti* and *thekbandi*. *Thekthiti*, which was prevalent in the far-eastern and far-western parts

vol. 27, pp. 430-1. According to this document, Chitwan had then been assigned as *jagir* to Ranjor Thapa and other *Kajis*.

of the hill region, meant a longterm settlement with the village community as a whole represented by the *mukhiya*. Under the *thekbandi* system, which was used in most other parts of the hill region, settlements were made with the village *mukhiya* in his individual capacity for short terms, usually one year at a time.

A note of explanation on the main points of distinction between the *thekthiti* and *thekbandi* systems may not be out of place here. The difference between the amount stipulated for payment to the government and the amount actually collected from the local people, whether a surplus or a shortfall, was shared equally by each household under the *thekthiti* system. Under the *thekbandi* system, in contradistinction, any profit or loss belonged to the *mukhiya*.¹⁹ Yet another important difference between the two systems concerned jurisdiction. The *mukhiya* under the *thekthiti* system wielded much greater authority than his counterpart under the *thekbandi* system. In Jumla, for instance, he collected both agrarian and commercial taxes of various categories, whereas the *thekbandi mukhiya* was responsible only for the collection of agrarian taxes. Thanks to the *thekthiti* system, centers of local or transit trade were generally controlled by local revenue functionaries, rather than by the government. Duties on the Himalayan border trade with Tibet were thus usually collected and appropriated by *thekthiti* functionaries, not by the government.²⁰ Even in respect to agrarian taxes, the *mukhiya's*

19. Regmi, *Thatched Huts and Stucco Palaces*, pp. 73-76.

20. "Trade and Commercial Taxation in Jumla", *Regmi Research Series*, year 12, no. 3, March 1, 1980, pp. 33-41. The *thek-thiti* system was followed in Doti, Dailekh, and Achham as well, but collection of commercial taxes does not appear to have formed part and parcel of the *Mukhiya's* fiscal obligations in those areas. "Thek-Thiti Arrangements for Marma, Doti", *Bhadra Badi* 15, 1894 (August 1837), *RRC*, vol. 35, pp. 263-7; "Thek-Thiti Arrangements for Simta, Dailekh", *Jestha Sudi* 9, 1895 (May 1838), *RRC*,

fiscal authority was by no means identical under the two systems. The *thekthiti mukhiya* collected taxes on both rice lands and homesteads, whereas rice land taxation lay beyond the scope of the *thekbandi mukhiya's* jurisdiction.²¹

Similarities between the *thekthiti* and *thekbandi* systems are no less significant. Under both systems, the amount stipulated for payment by the *mukhiya* was collected in full, irrespective of the amount actually collected from the local tax-paying community. That is to say, the government relinquished the right to claim additional revenue during the period covered by the *thek* settlement for any extension of the cultivated area, or any increase in the number of taxable homesteads. The *mukhiyas*, on their part, agreed not to make claims for remission on account of crop failure, or a decline in the cultivated areas, or depopulation of homesteads registered in the course of the settlement.²² The *thek* system thus assured the government of stability of the revenue for the period covered by the settlement. But since taxable lands and homesteads in the hill region were normally assigned to government employees under the *jagir* system, the benefits of such stability accrued to the *jagirdars*, rather than to the government.

While the *thek* system was generally confined to the hill regions of the Kingdom during the early years of the nineteenth century, the other system that we have mentioned above, namely revenue-farming or *ijara*, was used at the district level in the Tarai region. Under the *ijara* system, the

vol. 38, pp. 7-12; "Thek-Thiti Arrangements for Villages in Achham", *Jestha Sudi* 9, 1895 (May 1838), *RRC*, vol. 38, pp. 27-30.

21. Regmi, *Thatched Huts and Stucco Palaces*, pp. 73-76,

22. *Ibid.*

government assigned its fiscal authority in a specified area, or in respect to a specified source of revenue, to an individual for a specific period on payment of an amount stipulated in advance. The *ijaradar*, consequently, did not have to declare what he collected; anything above the stipulated amount constituted his private profit, and anything below was his loss. In circumstances where *ijara* arrangements were not feasible for any reason, the government resorted to an alternative system known as *amanat*. Under that system, revenue was collected by salaried employees of the government, who received the actual amount collected, rather than an amount stipulated in advance as under the *ijara* system.²³

The founder of the Kingdom of Nepal, Prithvi Narayan Shah, had directed that "no *ijaras* shall be granted in the Kingdom, rather government offices shall be established for the collection of revenue under the *amanat* system, and accounts submitted at the end of every year".²⁴ However, his successors were seldom able to comply faithfully with that directive. Their inability to model the system of fiscal administration on the *amanat* pattern stemmed from the manifest advantages of the *ijara* system in the conditions prevailing in the Kingdom at that time. The most important advantage was that the system entailed no risk, expenditure, or administrative efforts for the government. It also ensured a certainty of revenue and smoothened the flow of money to the treasury, often in advance of actual collection.

It is hardly surprising, therefore, that the *ijara* system played an extensive role in the fiscal administration of the Kingdom. It was used not only for civil administration and revenue collection in the Tarai region, but also for a wide

23. Mahesh C. Regmi, *A Study in Nepali Economic History 1768-1846*, (New Delhi : Manjusri Publishing House, 1971), pp. 128-35.

24. Naya Raj Panta, *et. al.*, "Shri 5 Prithvi Narayan Shah Ko Upadesha" (Teachings of King Prithivi Narayan Shah), Lalitpur : Jagadamba Prakashan, n. d., pt. 1, p. 324).

variety of fiscal functions such as collection of commercial taxes, exploitation of mineral resources, extraction and export of timber and other forest products, and management of fiscal monopolies and state trading ventures. Even projects for land reclamation and settlement were occasionally undertaken under the *ijara* system. The system, in fact, constituted the bedrock of the Kingdom's fiscal administration. In contrast, the *amanat* alternative entailed the liability to meet the expenses of administration and made the flow of revenue uncertain. The government availed itself of the *amanat* alternative only when *ijaradars* proved unduly oppressive and the local people fled in large numbers across the borders or thronged to Kathmandu with complaints. But such *amanat* interludes were not more than stop-gap arrangements which helped to assuage the situation until fresh *ijara* arrangements again proved feasible.

However, the *ijara* system suffered from a number of defects. The most important of those defects was that the system weakened the authority of the government. *Ijaradars* functioned in a contractual capacity and fulfilled stipulated obligations. Once they fulfilled those obligations, they were left with a residual sphere of autonomy over which the central government had little control. The semi-autonomous role of *ijaradars* was compounded by the difficult physical features of the Kingdom, which hampered easy transport and communication and so effective supervision from the center. The Gorkhali state was, consequently, unable to enforce effective sanctions against erring or recalcitrant *ijaradars*. Rebukes, remonstrances, or warnings were the only weapons available, with dismissal in the last resort, but none of these weapons had any effect on the conduct of the *ijaradar* during the period when he was actually in office.²⁵

Nor was this all. The *ijara* system also by-passed the local landed gentry, represented by the *Chaudhari* in each *parganna*

25. Regmi, *A Study in Nepali Economic History*, pp. 131-38.

and a multitude of other functionaries at subordinate levels, and so destabilized the local agrarian community. *Ijaradars* seldom collected taxes and other payments directly from the inhabitants of the district under their jurisdiction. On the contrary, they minimized their own risk by appointing sub-*ijaradars* for one or more *moujas* in the district. *Chaudharis* and other traditional functionaries found a place in this bi-layered *ijara* set-up only if they were able to secure appointments as sub-*ijaradars* of the district *ijaradar*. It is possible that some of them did succeed in getting such appointments, but, compared with their traditional status and authority in *moujas* and *pargannas*, the new role left their position very insecure. Such insecurity was by no means confined to tenure, but extended to the quantum of payments as well. Enjoying neither a statutory nor a traditional role in the village community, they became increasingly vulnerable to arbitrary demands from the *ijaradar*.²⁶

In late 1828, therefore, *Chaudharis* from all the seven districts of the eastern and central Tarai regions, namely, Bara, Parsa, Rautahat, Saptari, Mahottari, Sarlahi, and Morang, submitted proposals for a new revenue system. They proposed to match the payments stipulated by the *Ijaradars*, and even to accept enhancements, if the *ijara* system was abolished and settlements made directly with them, the obvious objective being to escape the *ijaradar's* exactions. Kathmandu agreed to the proposal. Because the new settlement was made for five years at a time, it was given the name of *Panchasala-Thek*.²⁷

26. *Ibid.*, p. 175.

27. *Loc. cit.* A contemporary poet, Yadunath Pokharyal, has given a description of the *Panchasala-Thek* system and the circumstances which led to its introduction in a poem eulogizing Prime Minister Bhimsen Thapa. Baburam Acharya, *Purana Kavi ra Kavita* (Old poets and their poetry), Kathmandu : Sajha Prakashan, 2023 (1966), pp. 92-93.

The *Panchasala-Thek* system, although introduced on the initiative of *Chaudharis* themselves, ultimately led to their own undoing. Kathmandu soon realized the feasibility of augmenting revenue by applying the system on a competitive basis in each *mouja*, rather than in each *parganna*. And once the principle of competitive bidding for *mouja*-level fiscal jurisdiction was accepted, it became manifestly impossible to restrict the list of prospective bidders to the landed gentry that the *Chaudharis* represented. Indeed, *Chaudharis* who were successful in retaining their positions under the new system were officially designated as *Thekdar* or revenue-farmer, rather than by their traditional title. The change finds reflection in the following royal order issued in the name of Sardar Balabhanjan Pande, who had been deputed to revise revenue settlements in the entire eastern Tarai region in 1836.²⁸

In case any responsible and capable person offers a higher payment for any *mouja*, the existing *thekdar* shall be allowed to continue if he matches such higher offer. If he is not able to do so, he shall be replaced by the person who has offered the higher payment.

Instructions sent to the Sardar from Kathmandu for the appointment of *thekdars* are even more revealing:²⁹

Appoint *thekdars* who are capable of realizing arrears of revenue and transmitting current revenues in full through their own property, if necessary, and providing assistance to ryots in reclaiming and cultivating lands. Give pre-

28. "Revenue Regulations for the Eastern Tarai Region in the Name of Sardar Balabhanjan Pande, "Kartik Sudi 1, 1893 (October 1836), *RRC*, vol. 35, pp. 40-6; "Order to Sardar Balabhanjan Pande Regarding *Panchashala-Thek* Arrangements", Ashadh Badi 11, 1894 (June 1837), *RRC*, vol. 26, pp. 659-60.

29. "Order to Sardar Balabhanjan Pande Regarding Appointment of *Thekdars*", Baisakh Badi 7, 1894 (April 1837), *RRC*, vol. 26, pp. 630-1.

ference to existing *thekdars*, but appoint new ones if they do not prove so capable.

The amount of payment due from each *mouja* was accordingly not fixed on the basis of a survey of the area of lands under actual cultivation and of other sources of revenue. On the contrary, it was determined through bids. In other words, any one who offered a higher payment for any *mouja* than his competitors received a five-year appointment as *thekdar*. It is obvious that even if the *Panchasala-Thek* system put an end to the evils of the *ijara* system at the district level, it allowed those evils to remain entrenched at the local level.

As mentioned above, the *Panchasala-Thek* system was introduced only in the seven districts of the eastern and central Tarai regions. The western Tarai areas of Palhi, Majhkhand, Seoraj and Khajahani, on the other hand, were placed under a somewhat different system in the course of revenue settlements conducted in 1837. That system, which was given the name of *thekthiti*, was obviously modelled on the pattern followed in the far-eastern and far-western hill regions. It provided for a non-official revenue collector in each of the four *tappas*, and a number of *Chautharis* who collected the amount assessed on each *mouja* through local functionaries known as *mahato*, and transmitted the proceeds to Kathmandu.³⁰ The *thekthiti* system of the western Tarai thus avoided the evils that marked competitive bidding under the *Panchasala-Thek* system in the eastern and central Tarai region.

30. "Thek-Thiti Arrangements for Saroj", *Jestha Badi* 30, 1894 (May 1837) *RRC*, vol. 34, pp. 374-412; "Royal Order to Rajkumar Prabhu Shah Regarding Revenue Collection", *Jestha Badi* 9, 1896 (May 1839), in Yogi Naraharinath, *Itihasa-Prakashha* (Light on history), (Kathmandu : Itihasa-Prakashaka-Sangha, 2013/1956), vol. 2, bk. 2, separate orders for Seoraj (pp. 182-84) and Khajahani (pp. 187-88).

The essence of the new arrangements consisted in the contractual nature of the stipulated payment and collective liability. According to a public notification issued for Seoraj in November 1838 explaining the new system:³¹

Collections shall not be made in excess of the stipulated amount, nor shall the people make any such payments. In case actual collections exceed the stipulated amount, the excess shall be apportioned equally to all *moujas*; shortfalls, if any, shall also be shared equally.

The *Chaudharis* and other revenue functionaris were, therefore, compensated for their services through salaries and land assignments.

Two aspects of the *thek* systems that were introduced during the period between 1828 and 1837 in the districts of the eastern, central, and western Tarai regions merit emphasis in the present context. In the first place, these systems marked the end of *ijara* arrangements for revenue collection at the district level.³² Secondly, the *mouja*, rather than the *parganna*, became the basic unit of fiscal administration, there-

31. "Public Notification Regarding Thek-Thiti Arrangements in Seoraj", Marga Badi 3, 1895 (November 1838), *RRC*, vol. 38, pp. 74-75.

32. In the eastern and central Tarai, district-level functionaries were thereafter appointed on *amanat* basis to receive revenues under the *Panchasala-Thek* system. Cf. "Appointment of Hiralal Jha as Subba in Bara and Rautahat", Bhadra Badi 12, 1890 (August 1833), *RRC*, vol. 26, pp. 342-43. "Revenue Collection in Bara, Parsa, Rautahat, and Sarlahi", *Regmi Research Series*, vol. 17, nos. 1-2, January-February 1985, pp. 27-28. "Royal Order to Subba Kulnand Jha of Saptari and Mahottari", Poush Badi 11, 1888 (December 1831), *RRC*, vol. 45, p. 419. In the *tappas* of the western Tarai, functionaries were similarly appointed to receive *thekthiti* revenues, but on a contractual basis, as already noted above.

by paving the way for the structural reforms that the early Rana rulers introduced in the system of fiscal administration in the Tarai region.

Rana Reforms in Fiscal Administration

The early Rana rulers introduced far-reaching changes in the system of fiscal administration that we have described in the previous section. The basic framework of the new system was laid through a series of experiments during the first two decades of their rule. We shall, however, outline the main features of the new system in the form it ultimately assumed, rather than present a detailed account of the experiments. That the system, with minor modifications, functioned for well over a century until the 1960s would appear to prove how strongly the early Rana rulers had built the foundations. The following section will discuss two main aspects of the new system, namely, the role of the *ijara* system, and the overhauling of the revenue collection machinery at the local level in both the hill region and the Tarai.

(a) Role of the Ijara System

One of the first acts of the Rana government was to abolish the system of territorial *ijaras* for civil administration and revenue collection in the Tarai region. The following provision contained in the 1854 legal code illustrates the Ranas' repugnance of such territorial *ijaras*.³³

Any vizier who grants *ijaras* for specified areas or *pargannas* in the Tarai region, from the Mechi to the Mahakali, is a faithless person who misappropriates the revenue of the government, and allows the *ijaradar* also to do so, thereby leading to the plunder of the wealth and property of the people.

33. Government of Nepal, "*Rairakam Ko*". (On revenue matters), in *Sri 5 Surendra Bikram Shahdevaka Shasana Kalama Baneko Muluki Ain* (Legal code enacted during the reign of King Surendra Bikram Shah Dev), (Kathmandu : Ministry of Law and Justice, 2022/1965), sec. 1, p. 52.

To be sure, the *ijara* system had already been discarded after the introduction of the *thek* system between 1828 and 1837, but the provision marked its final abolition on a territorial basis in the Tarai region. By the late 1850s, Jung Bahadur had abolished *ijara* arrangements and brought under *amanat* management several other important sources of revenue, such as timber exports and state trading. We shall discuss these steps in detail in appropriate chapters later in this book, but this brief reference should help us to understand in proper perspective early Rana policies and programs in the field of fiscal administration.

Nevertheless, these steps by no means eclipsed the role of the *ijara* system in the Kingdom's fiscal administration. The *amanat* system may have proved viable for relatively large sources of revenue, but the fiscal system also comprised a multitude of minor sources, including commercial taxes and government monopolies, for which separate *amanat* arrangements were usually not feasible. *Ijaradars* were often able to collect much higher revenue than *amanat* officials from such minor sources, inasmuch as they were usually local people and had lower overhead expenses. The important role that the *ijara* system continued to play in the Kingdom's fiscal administration is proved by legislation enacted during the late 1880s, which prescribed terms and conditions for the *ijara* management of sources of revenue, including commercial taxes, monopolies, and state-trading enterprises. According to the 1888 legal code :³⁴

Revenue-collection contracts shall be granted to persons who possess wealth, as long so such persons are available; if not, these shall be granted with a responsible person as

34. Government of Nepal, "Rakam Bandobastako" (On revenue collection arrangements), in *Ain* (Legal Code), (Kathmandu ; Biradeva Prakasha Yantralaya, 1945/1888), pt. 2, pp. 13-19 For a full translation of this law, see *Regmi Research Series*, year 12, no. 5, May 1, 1980, pp. 65-69.

surety, so that the government may not incur any loss. If revenue-collection contracts are granted to an indigent person, with the result that the government's wealth is lost, the loss shall be recovered from the person who granted the contract. If no responsible person is available to provide surety, the matter shall be referred to the government according to the law, and the source of revenue operated (through salaried employees) under the *amanat* system. No offense shall be deemed to have been committed if the *amanat* operation results in losses.

The 1888 legal code contained two other provisions which imparted a definite character to the *ijara* system. In the first place, the maximum term of an *ijara* was fixed at three years, the obvious intention being to allow the *ijaradar* sufficient time to develop his farm, while at the same time making it possible for the government to revise the value of the *ijara* at reasonable intervals. Secondly, fresh *ijaras* for amounts exceeding Rs. 50,000 from each source were granted only if an increment of at least eight annas on each Rs. 100, or 0.5 percent, was offered over the previous figure. The outgoing *ijaradar* was given preference if he accepted this increment, and his claim was bolstered by the provision that higher offers from other individuals would be given consideration only if these were 5 percent more than the previous amount plus the 0.5 percent increment. That is to say, the *ijaradar* who completed his three-year term for a Rs. 5,000 *ijara* was reappointed if he was willing to pay Rs. 5,025, and no offer from any other individual was given consideration if it was less than Rs. 5,275. Existing *ijaradars* were thus given preference even at the cost of revenue. The Ranas evidently preferred to play safe with an *ijaradar* they knew than to be sorry with one they did not. The Rana rulers were similarly aiming at safe and steady revenues when they prescribed that *ijaras* should not be granted to "individuals who are not citizens of Nepal, or, even if they are Nepali citizens, if they have acquired lands in India, and are residing there along with their families."

The eligibility of civil and military officers to take up *ijaras* for revenue-collection functions if they were not otherwise disqualified was yet another significant characteristic of the 1888 fiscal legislation. This provision is significant in more than one respect. From the government's viewpoint, it extended the ambit of prospective *ijaradars* to individuals who formed a part of the Rana bureaucracy and so were under the full control of the government. In other words, any dereliction on the part of such individuals in their capacity as *ijaradars* would cost them dear in their capacity as government servants as well. At the same time, the provision gave the bureaucracy a vested interest in the perpetuation of the *ijara* system as a supplemental means of personal enrichment.

(b) Reforms in Fiscal Administration in the Hill Regions

Rana reforms in the system of fiscal administration were less thorough-going in the hills than in the Tarai region. The reasons are easy to explain. The hill region has a lower revenue potential than the Tarai, and, moreover, the bulk of its sources of revenue was alienated under *birta*, *jagir*, and other tax-free tenures. The region, therefore, ranked lower in order of priority from the viewpoint of fiscal reform. Indeed, reforms in the system of fiscal administration in the hill region appear to have been initiated only after the early 1860s, the growing area of taxable lands and homesteads under *jagera* tenure providing the basic impetus. So long as the area of *jagera* lands in the region was low, there was little justification in introducing changes in the traditional system under which *jagera* landlords paid their taxes directly to the *Sadar Dafdar-khana* in Kathmandu and official teams were deputed from time to time to collect arrears from defaulters. As the area of *jagera* lands expanded, the creation of a permanent machinery for the collection of revenue from this source became not only essential but also financially viable.

Initial steps in this regard were taken in 1863, when Commanding General Dhir Shumshere was granted authority

to make arrangements for collection of arrears of agrarian taxes on *jagera* lands throughout the hill region. Inasmuch as the work could not be completed in one year, the arrangements were made permanent in early 1865.³⁵ The permanent district offices created as part and parcel of these arrangements were known as *Bakyauta Tahasil Addas*. These offices were located in Kathmandu, Patan, Kirtipur, and Bhadgaun in Kathmandu Valley, as well as East No. 1 (Sindhupalchok), East No. 2 (Dolakha), East No. 3 (Okhaldhunga), East No. 4 (Bhojpur), in the hill region east of Kathmandu, and West No. 1 (Nuwakot), West No. 2 (Gorkha), West No. 3 (Bandipur), West No. 4 (Syangja), Palpa, and Salyan-Pyuthan in the west.³⁶ *Bakyauta Tahasil Addas* were established in Pallokirat in the far-eastern hill region,³⁷ and Doti³⁸ and Dullu-Dailekh in the far-western hill region in subsequent years.³⁹ Jumla, however, seems to have been the only district in the far-western hill region where no *Bakyauta Tahasil Adda* had been established till the end of the nineteenth century.

35. "Order to Commanding General Dhir Shumshere Jung Kunwar Rana Regarding Collection of Agrarian Taxes in the Hill Region", Falgun Badi 7, 1921 (February 1865), *RRC*, vol. 21, pp. 493-95. The initial order was issued on Bhadra Badi 11, 1920 (August 1863).

36. "The Bakyauta Tahasil Adda", *Regmi Research Series*, year 11, no. 2, February 1, 1979, pp. 18-20; "Order to Bakyauta Tahasil Addas in Kathmandu and other Areas Regarding Hulak Services", Falgun Sudi 10, 1949 (February 1893), *RRC*, vol. 11, pp. 402-4.

37. "Order to the Pallokirat Bakyauta Tahasil Adda Regarding Collection of Agrarian Taxes", Baisakh Badi, 1950 (April 1892), *RRC*, vol. 58, pp. 283-92.

38. "Problem of Land-Tax Collection in Doti", *Regmi Research Series*, year 15, no. 7, July 1983, p. 101.

39. "Order to Dullu-Dailekh Bakyauta Tahasil Adda Regarding Collection of Agrarian Taxes", Shrawan Badi 2, 1954 (July 1897), *RRC*, vol. 76, pp. 612-24.

Most revenue divisions in that district were under *jagir* tenure, and though a few of them were intermittently brought under *jagera* tenure, the Ranas seemed to have preferred *ijara* arrangements for the collection of revenue. For instance, during the 1890s, the divisions of Humla, Galfa, Soru, and Pansaya were resumed as *jagera* and placed under the fiscal jurisdiction of an *ijradar*.⁴⁰ The government obviously preferred to keep its options open and eventually restore those divisions as *jagir*.

The early Rana rulers introduced yet another innovation in the system of fiscal administration at the district level in the far-western hill region. At least in three areas, namely, Garhunkot, Achham, and Dullu, which were independent principalities before their incorporation into the Kingdom of Nepal during the latter part of the eighteenth century, the Ranas restored the title of *raja* to the descendants of the former ruling families and granted them the right to collect agrarian taxes and other revenues within the concerned territories.⁴¹ This was naturally a more permanent arrangement than the *ijras* in Jumla mentioned in the previous paragraph. It provided the Ranas with a dependable system of fiscal administration in areas so remote from the capital, as well as new means to reward their relatives and supporters.

At the village level, the early Rana rulers do not seem to have made any change in the traditional *thekthiti* systems of the far-eastern and far-western hill regions. The *thekbandi* system of the central hill region was, however, radically modified. As noted previously, *thekbandi* arrangements were made with village *mukhiyas* for short terms, usually one year

40. "Revenue Assessments in Jumla", *Regmi Research Series*, year 15, no. 9, September 1983, pp. 129-30; "Order to Palpa Tinsancha Tahabil Adda Regarding Revenue Collection in Jumla", *Bhadra Sudi* 5, 1949 (August 1892), *RRC*, vol. 58, pp. 706-11.

41. Regmi, *Thatched Huts and Stucco Palaces*, pp. 42-43.

at a time. Periodic renewal of these arrangements provided the Ranas with an opportunity to foster competitive bidding. That is to say, settlements were finalized with any person, whether a local resident or an outsider, who offered to pay more. The existing *thekebandi mukhiya* was then faced with two alternatives : he could either match the offer, or else quit.⁴² In either case, agrarian tax revenue from the concerned village went up. These arrangements were, however, usually limited to villages under *jagir* tenure, hence they merit attention in the context of our study of fiscal administration in general rather than of their contribution to the state exchequer.

(c) Reforms in Fiscal Administration in the Tarai Region

The reforms that the early Rana rulers introduced in the system of fiscal administration in the hill region were thus largely confined to the establishment of district-level revenue offices. In the Tarai region, on the other hand, the Ranas overhauled the traditional system of fiscal administration literally from top to bottom. Their reform measures had two main components : a permanent institutional set-up of fiscal administration at the district level, and a new layer of revenue collection functionaries at the level of the *mouja*⁴³

At the district level, a permanent office, known as *Mal Adda*, was created in each district of the Tarai and inner Tarai regions to discharge functions relating to land and fiscal administration. *Mal Addas* were responsible not only for the collection of agrarian taxes but also to oversee the administra-

42. *Ibid.*, pp. 76-77.

43. These measures have been described here from the following sources, "Revenue Regulations for the Eastern Tarai Districts", *Marga Badi* 6, 1918 (November 1861), *RRC*, vol. 10, pp. 34-5; "Revenue Regulations for the Western Tarai District", *Marga Badi* 6, 1918 (November 1861), *RRC*, vol. 47, pp. 645-6; "Revenue Regulations for the Naya Muluk Region", *Marga Badi* 6, 1918 (November 1861), *RRC*, vol. 47, pp. 460-1.

tion of fiscal monopolies and state trading enterprises. In fact, they represented the central government in almost all matters relating to fiscal administration in the district and even functioned as local treasury offices. It is noteworthy that the Ranas used *Mal Addas* to collect incomes from their *birta* lands in the Tarai region.⁴⁴

At the local level, the *Panchasala-Thek* system in the eastern Tarai, and the *thekthiti* system in the western Tarai were abolished. *Chaudharis* were allowed to retain their traditional role in the *parganna*, but a new category of revenue functionaries, known as *jimidar*, was appointed for each *mouja* for the collection of agrarian taxes and other revenues under their supervision. Both *chaudharis* and *jimidars* were personally liable for the collection of revenue according to assessments made by the government. They were compensated for their services with regular salaries and land allotments.⁴⁵ The *jimidar* was the linchpin of the new system. He combined the

44. "Order to Major Captain Katak Bahadur Basnyat Chhetri of Parsa Mal Regarding Collection of Income from Birta Holdings of Prime Minister Jung Bahadur and his family", Aswin Badi 3, 1923 (September 1866), *RRC*, vol. 63, pp. 194-208. Until 1865, such incomes used to be collected by special officers appointed for that purpose. In the following year, an official circular was sent to all revenue offices directing them to take over that function and remit the proceeds to Jung Bahadur's personal treasury office at Thapathali in Kathmandu. The chiefs of those offices were instructed to debit all expenses of collection from government funds, and warned that "not a single *dam* (i. e., a quarter *paisa*) will be paid from the *birta* account." In addition, they were warned that "you shall be held personally liable for any shortfall in the amount of *birta* revenue."

45. In the eastern Tarai region, a *chaudhari* who was responsible for the collection of revenue amounting to Rs 10,000 was allocated 100 bighas of lands for his own use. A *jimidar*

roles of tax-collector, landowner, and the government's local representative in civil and police matters. To be sure, *jimidars* initially functioned under the control and supervision of *parganna*-level *chaudharis*, but they succeeded gradually in entrenching their position to such an extent as to render the latter superfluous.

Jimidars comprised a new elite group at the local level which provided sustenance to the political and economic authority of the Rana rulers. Whereas the *Chaudhari* belonged to the traditional landed gentry, most of the new *jimidars* did not possess a traditional social and economic base in the *mouja* but owed their power and status to the government. Some members of the local landed gentry may have succeeded in finding a place in the new *jimidari* set-up, but this does not invalidate our argument. It is indeed significant that preference in the appointment of *jimidars* was given not to local people, but to those of hill origin. Next in order of preference came "honest and well-to-do men of property belonging to good

was allotted lands yielding an income of 5 rupees for each Rs 100 of actual collection. These allotments were usually made in uncultivated land. *Chaudharis* and *jimidars* were expected to bring such lands under cultivation and raise an income. "Order to Lt. Colonel Bhim Bikram Singh Thapa Chhetri Regarding Emoluments of Chaudharis, Jimidars, and other Functionaries", Kartik Badi 10, 1919 (October 1862), *RRC*, vol. 29, pp. 612-14. The *Jimidar* received emoluments in the form of newly-reclaimed lands yielding an income of five rupees for each Rs. 100 of actual collections in the western Tarai, ("Revenue Regulations for the Western Tarai", Marga Badi, 6, 1918 (November 1861). Sec. 17, *RRC* vol. 47, pp. 587-8), and of ten rupees for each Rs. 100 of actual collection in the far-western Tarai. ("Revenue Regulations for the Naya Muluk Region", Marga Badi 6, 1918 (November 1918), sec. 62, vol. 47, p. 467.

families, who have settled in our territories along with their wives and children'⁴⁶

An Appraisal

The ultimate test of a system of fiscal administration is its capacity to make full collection of revenue from sources existing at any time. From this viewpoint, the reform measures that we have described above do not appear to have yielded immediate benefits. Indeed, accumulation of tax arrears remained a chronic problem that the early Rana rulers faced in the field of fiscal administration in both the hills and Tarai region. An official order issued by Prime Minister Chandra Shumshere in June 1910 noted that in both the eastern and western hill districts, "action is still being taken against people for recovery of arrears of taxes due since the year 1865", and fully remitted all such arrears.⁴⁷ The problem of arrears was much more serious in the Tarai region, notwithstanding two layers of functionaries at the local level, the *chaudhari* and the *Jimidar*, who bore personal liability for the full realization of revenue. In 1865, for instance, Jung Bahadur deputed a special official team to the eastern Tarai region in order to supervise arrangements to clear off "the heavy arrears of revenue that have accumulated during the period from 1851 to 1864."⁴⁸ We have no information to show to

46. "Revenue Regulations for the Eastern Tarai District", 1918, sec. 42, *RRC*, vol. 10, p. 30; "Revenue Regulations for the Western Tarai", 1918, sec. 27, *RRC*, vol. 47, pp. 593-94; "Revenue Regulations for the Naya Muluk Region", 1918, sec. 46. *RRC* vol. 47, p. 459. sec. also "Order Regarding Action Against Defaulting *Jimidars* in Banke", *Kartik Badi* 6, 1954 (October 1897), *RRC*, vol. 61, pp. 400-32

47. "Problems of Tax Collection, A.D. 1910", *Regmi Research Series*, year 13, no. 6, June 1981, pp. 91-96, and year 13, no. 7, July 1981, pp. 97-98.

48. "Dittha Buddhisagar Padhya's Assignment", *Regmi Research Series*, year 17, nos. 1-2, January-February 1985, pp. 25-27.

what extent that measure was successful. Subsequent events, however, show that even if the arrears that had accumulated till 1865 were cleared off, the basic shortcomings of the fiscal administration system persisted. Fresh arrears continued to accumulate, and in 1892 Prime Minister Bir Shunshere found no alternative but to write off all arrears that had accumulated during the quarter-century after 1866.⁴⁹ Nor was the problem limited to the eastern Tarai region. In 1900, agrarian tax assessment in Khajahani district of the western Tarai region amounted to Rs. 433,856, of which only Rs. 150,841, or 34.7 percent, was collected by the end of the year. The total tax arrears then amounted to Indian Rs. 460,670, that is, more than one year's assessed tax.⁵⁰

Such a situation was to some extent inevitable because both the district-level fiscal set-up and *jimidari* system were in their incipient stage during the early Rana period. Revenue offices were chronically understaffed and ill-equipped. Nor do *jimidars* seem to have been equipped with sufficient powers to realize agrarian taxes from landowners in *moujas* under their jurisdiction. There was simply nothing they could do if the landowners chose not to pay. Consequently, *jimidars* often had no alternative but to file petitions to Kathmandu for collecting payments due from landowners.⁵¹ There was also the problem of conflict between the *chaudhari* and the *jimidars* under his jurisdiction; their dual liability may have been

49. Order to Captain Harilal Padhya Regarding Revenue Arrears in Mahottari District", Poush Sudi 8, 1957, (December 1900) *RRC*, vol. 70, pp. 37-52. There is reason to believe that similar steps were taken in the other eastern Tarai districts as well.

50. "Sunar and Khajahani, 1901" *Regmi Research Series*, year 13, no. 10, October 1, 1981, pp. 148-49.

51. "Order to Lt. Colonel Bhim Bikram Singh Thapa Chhetri Regarding Complaint of Jimidar Kisan Raut", Falgun Sudi 11, 1921 (February 1865), *RRC*, vol. 21, pp. 626-27.

intended to ensure full and prompt collection of revenue, but it also often led to uncertainty of jurisdiction.⁵²

The *jimidar* seems to have constituted the weakest component in the newly-created structure. His personal liability for the full collection of agrarian taxes was of little significance in a situation where agricultural lands rated low in terms of property. Arrears of payment due from a defaulting *jimidar* could, therefore, seldom be realized from his property. The mid-nineteenth century *jimidar*, in fact, seldom enjoyed the affluence traditionally associated with the post toward the end of Rana rule. The post entailed too many risks and obligations and provided relatively few opportunities for profit-making or the accumulation of capital. Whatever may have happened in normal times, *jimidars* faced a precarious situation in the event of crop failure due to drought or other natural calamities. For example, according to a report submitted by the local administrator of Khajahani to Kathmandu in 1901:⁵³

Many *jimidars* have become very poor and arrears of land taxes cannot be realized even if their property is auctioned. Nor are prospective applicants available who will pay up the arrears and take over the *jimidaris*. If the existing *jimidars* are evicted, lands will remain uncultivated, and the government will suffer further losses.

It is, therefore, easy to understand why coercive measures remained associated with Rana systems of fiscal administration in the Tarai region throughout the nineteenth century. Indeed, two new battalions were recruited during the early 1850s for that specific purpose, the 700-man Ram Nath for the eastern Tarai, and the 500-man Shumshere Jung for the

52. "Order to Major Captain Ujir Singh Regarding Dispute between Chaudhari and Jimidar in Belashari, Mahottari" Falgun Sudi 11, 1921 (February 1865), *RRC*, vol. 21, pp. 660-62.

53. "Sunar and Khajahani, 1901", (See n. 50 above).

western Tarai. The large quantities of weapons and ammunition issued to these battalions suggest that the government took their role quite seriously.⁵⁴ The coercive measures took a subtler form in subsequent years, but increased the *jimidar's* financial burden. In Banke district, for instance, it was a common practice for the local *Mal Addas* to summon defaulting *jimidars* and keep them in detention until they made payment in full. If such *jimidars* did not respond to summonses, or failed to pay up even after prolonged detention, the Mal office deputed peons to make collections. The peons then visited the *jimidar*, lived on him, and extorted whatever they could until payments were completed. Gross abuse of the system finally led Prime Minister Bir Shumshere to abolish it in 1896.⁵⁵

54. "Revenue and Expenditure of the Government of Nepal", 1908 (1851), *RRC*, (Miscellaneous), pp. 52-54.

55. "Order to the Banke Mal Regarding Abolition of Hawala-Khartha System", Kartik Badi 11, 1954 (October 1897), *RRC*, vol. 61, pp. 356-80. In an attempt to reduce their financial burden, *jimidars* appear to have resorted to subdivision and fragmentation on a large scale. Such practices were apparently widespread in the western and far-western regions where the density of population was lower and agricultural lands less valuable in terms of property compared with the eastern Tarai. In 1901, for instance, the 595 *moujas* of Khajahani were under the jurisdiction of as many as 2,217 *jimidars*, the ratio being 3.72 *jimidars* for each *mouja*. The agrarian tax assessment for Khajahani in that year amounted to Rs 433, 956, making an average collection of about Rs 730 for each *mouja*. Fragmentation on such a scale reduced the fiscal obligation of the *jimidar* to a more tolerable average of about Rs 195 each, but increased considerably the administrative and supervisory duties of the local revenue office. "Sunar and Khajahani, 1901" (See n. 50 above), "Order Regarding Action Against Defaulting *Jimidars* in Banke", 1897 (See no. 46 above).

Concluding Remarks

We may conclude that Rana reforms in the field of fiscal administration, particularly in the Tarai region, were of importance more from the long-term viewpoint of institutional props for Rana rule than from the short-term one of efficiency in revenue collection during the early years. The establishment of a permanent revenue collection office at the district level was the most important Rana contribution in this field. This office functioned as the pivot of fiscal administration in the district. In the course of time, it emerged as one of the three main pillars of Rana district administration, the other two being the district administration office and the district court. Simultaneously, the *jimidar* evolved as an intermediary between Rana rule and the peasant society at the local level and thus constituted a key component in the emergence of Rana rule as a centralized agrarian bureaucracy, or a system that depends upon a central authority for extracting the economic surplus from the peasantry.⁵⁶

56. Barrington Moore, Jr. *Social Origin of Dictatorship and Democracy* (Penguin Books, 1967), p. 459.

CHAPTER IV

Agrarian Taxation

As noted in Chapter 3, agrarian taxes contributed approximately three-fourths of the total revenue and so constituted the biggest single source of revenue in 1851. This was quite natural, for the majority of the Nepali people then, as now, worked on the land for a living and agriculture was the mainstay of the nation's economy. A system of taxing the basic economic activity of the people inevitably spreads the tax net wide enough to cover the majority of the population. Agrarian taxation, moreover, was an expanding source of revenue. The natural growth of population resulted in an increase in the cultivated area and the number of households, thereby broadening the tax-base and increasing the volume of agrarian-tax revenue.

Notwithstanding these favourable factors, the agrarian tax system had a narrow base. The nineteenth-century Nepali state's fiscal authority did not encompass the entire cultivated and inhabited area of the Kingdom. Chapter 2 had described a number of traditional systems, such as *birta*, and *jagir*, under which the state granted agricultural lands and villages to

individuals and institutions on a tax-free basis. Such lands and villages, consequently, yielded no revenue to the government. The agrarian-tax revenue of the government was derived solely from lands and villages that had not been assigned under *birta*, *jagir*, or other tax-free tenures. The residual sources of agrarian-tax revenue that the government retained under its own fiscal jurisdiction were known as *jagera*, and it is the agrarian-tax system on *jagera* lands and villages that will form the subject-matter of this chapter.

Scope of the Jagera System

At the time of the commencement of Rana rule, *jagera* lands which contributed revenue to the central treasury were mostly confined to the Tarai region. The following table shows that in 1851 more than 97 percentage agrarian tax revenue came from that region.

Table 3 : Agrarian Tax Revenue, 1851¹

Region	Amount (in Mohar rupees)	Percentage of Total Revenue
Eastern Tarai	Rs. 777,008	76.09
Western Tarai	Rs. 218,458	21.3
Inner Tarai (Chitwan)	Rs. 21,016	2.05
Hill Region	Rs. 4,625	0.45
	Rs. 1,021,107	

It is not surprising, therefore, that British observers should have described the Tarai territories of Nepal as "the mine from which they draw their net monied resources, being, with the exception of the (Kathmandu) Valley, the best jewel in the Gorkhalee Crown."² Pride of place was occupied by the

1. Compiled from "Revenue and Expenditure of the Government of Nepal", 1908 (1851), *RRC* (Miscellaneous).
2. A Campbell, "Principal Transactions and Early Inter-course" 1834 in *Stiller Typescript*, a typescript of Reel Three of the microfilms preserved in the Tribhuvan University Library of documents in the Archives of India, vol. 2, June 1973, p. 33.

eastern Tarai, from Morang to Parsa, for it contributed nearly three out of every four rupees. It should be noted that the Kingdom's Tarai territories were then limited to the eastern and western sectors, the far-western Tarai region having come under Nepal's control only in 1860. The hill region, in contrast, contributed only Rs. 4,625 as agrarian tax revenue in 1851, or 0.45 percent. Even that meager sum was raised not from agricultural lands and homesteads which belonged entirely to *birta* owners, *jagirdars*, and other privileged landlords, but from the commuted value of a levy assessed in hides and skins on the households of leather workers, or *Sarkis*, in the hill region. Agricultural lands and homesteads remained under taxable tenure or *jagera* in that region only in exceptional cases where *jagirdars* were reluctant to accept assignments in outlying areas where the actual selling price of in-kind rents was much lower than the official value,³ or where *jagirs* were kept in reserve as *jagera* in the event of the death or dismissal of the *jagirdar* until they were reallocated to another *jagirdar*.⁴ Consequently, agrarian taxes from *jagera* lands were collected in the hill region only intermittently. For instance, a sum of Rs. 10,124 was collected from this source in 1853, but not a single rupee in 1851 or 1860.⁵ The situation that prevailed throughout the inner Tarai region was more or less similar, for agrarian tax revenue from the districts of that region was usually assigned under *jagir* tenure. Chitwan district, however, seems to have been brought under the *jagera* system during 1837.⁶

3. "Regulations in the name of the Salyan-Pyuthan Bakyauta Tahasil Adda Regarding Jagir Land Assignments", Baisakh Badi 8, 1954 (April 1897), *RRC*, vol. 61, pp. 594-603.
4. "Order to the East No. 1 Bakyauta Tahasil Adda Regarding Jagir Land Assignments", *RRC*, vol. 76, pp. 521-26.
5. "Revenue and Expenditure of the Government of Nepal", 1908 (1851), 1910 (1853), and 1918 (1861), *RRC*, (Miscellaneous).
6. "Royal Order to Lt. Biraj Bista and others Regarding Assignment of Chitwan and Other Areas as Jagir to

As the table shows, the district yielded a revenue of Rs 21,016 slightly more than 2 percent of the total agrarian tax revenue in that year.

General Features of the Agrarian Tax System

It seems necessary at this stage to present a brief outline of the agrarian tax system followed in early nineteenth century Nepal so as to provide a backdrop for a discussion of Rana policies and programs in that field. The outline needs to be prefaced by the observation that the system was by no means of a uniform character throughout the Kingdom, but differed from region to region, and often even from village to village. Such diversity stemmed basically from differences of topography and climate and the consequent differences in patterns of settlement and agricultural production. Historical factors compounded the diversity. Nepal's land-tenure and agrarian tax systems "constitute a remarkable museum of practices prevalent in ages past throughout a much wider area of Asia, and preserved in Nepal because of its comparative isolation and its freedom from colonial domination." Ancient Indo-Aryan practices thus coexisted with many indigenous practices of Indo-Mongoloid or Tibetan origin over the hill regions, while in the Tarai region several features of the Mughal revenue system of India were conspicuous, with varia-

Srinath Kampu", Chaitra Sudi 5, 1887 (April 1831), *RRC*, vol. 44, pp. 229-30. The district was later reassigned as Jagir to Kaji Ranjor Thapa and others, but was resumed as *jagera* after Prime Minister Bhimsen Thapa fell from power in 1837 (Ijara Grant to Jagannath Padhya for Revenue Collection in Chitwan" Poush Badi 2, 1994 (December 1837), *RRC* vol. 27, pp. 430-31. Dang had been assigned as Jagir to Kaji Bakhatwar Simha Thapa in 1887-88. "Public Notification Regarding Assignment of Revenues of Dang as Jagir to Kaji Bakhatwar Singh Thapa" Falgun Sudi 4, 1887 (February 1831). *RRC*, vol. 44, pp. 215-16.

tions on the innovations introduced by the British rulers of India,⁷ We shall, here describe broadly the systems followed in the two main geographic regions of the Kingdom, namely, the Tarai region and the hill region.

1. The Tarai Region

From the viewpoint of the tax-assessment system, it is axiomatic that agrarian tax revenue can be maximized in any given situation in case the entire cultivated area is measured and taxes assessed on each unit of area. In contrast, assessment based on such rough and ready criteria as the estimated size of a holding, or the approximate area that can be cultivated by a peasant household with an ox-drawn plow, take no account of the area actually cultivated, and so tend to favor the tax payer at the expense of the government over a period of time.

There were three main systems of agrarian tax assessment in the Tarai region at the middle of the nineteenth century, but the cultivated area was actually measured under only one of these systems. Under that system, which may be described as the crop-tax system, lands were measured in terms of a unit of area known as the *bigha*, and taxes were assessed in each *bigha* at different rates for different crops. The crop-tax system seems to have been modelled on the pattern followed in Mughal India, although the lists of crops and rates of taxation were necessarily different.⁸ The other two systems were applied without any reference to the area, and taxes were assessed either on the *mouja* as a unit, or on the number of plow-teams, or *hal*, possessed by each peasant household.

7. Leo. E. Rose and Margeret W. Fisher, "Foreword", in Mahesh C. Regmi, *Land Tenure and Taxation in Nepal*, Vol. I, The State as Landlord: Raikar Tenure (Berkeley: Institute of International Studies, University of California, 1963), p. ii.

8. Mahesh C. Regmi, *Landownership in Nepal* (Berkeley: University of California Press, 1976), p. 124.

The *bigha*, as mentioned above, was the unit commonly used as the basis of assessment under the crop-tax system. The same unit was in traditional use over large parts of India as well, but the area of the *bigha* differed widely in different districts or regions of both Nepal and India. In Bihar and Bengal, whose borders adjoin those of the Tarai region of Nepal, it comprised 1,600 square yards.⁹ The *bigha* commonly used in the eastern Tarai region of Nepal was much larger and comprised 8,100 square yards¹⁰ and, in a few areas, as much as 19,600 square yards.¹¹ In the western and far-western Tarai regions, on the other hand, a *bigha* comprised only 1,350 square yards. That is to say, six such *bighas* made one standard *bigha* of 8,100 square yards.¹²

But notwithstanding the numerous references to systems and practices of land measurement for the purpose of crop-tax

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9. H. H. Wilson, *A Glossary of Revenue and Judicial Terms and Useful Words Occurring in Official Documents Relating to the Administration of British India* (reprint of 1885 ed.), Delhi : Munshiram Manoharlal, 1968), p. 85,
 10. "Royal Order Regarding Land Tax Assessment Rates in Mahottari, Kartik Sudi 10, 1866 (October 1309), *RRC*, vol. 40, p. 112.
 11. "Royal Order to Subba Zorawar Khawas Regarding Land Measurement in Morang", Kartik Badi 5, 1851 (October 1794), *RRC*, vol. 24, p. 418; "Royal Order Regarding Land Measurement in Saptari and Mahottari", Chaitra Badi 11, 1895 (March 1836), *RRC*, vol. 43, p. 567. see also Mahesh C. Regmi, *A Study in Nepali Economic History, 1768-1846* (New Delhi : Manjusri Publishing House, 1971), pp. 205-7.
 12. "Birta Grant to Raj Kumar Prabhu Shah in Seoraj", Ashadh Sudi 13, 1895 (June 1838), in Yogi Naraharinath, *Itihasa-Prakasha* (Light on history), (Kathmandu : Itihasa Prakashaka Sangha, 2013 (1956), vol. 2, bk. 2, pp. 174-76, "The Naya Muluk", *Regmi Research Series*, year 13, no. 2, February 1, 1981, pp. 21-26.

assessment in contemporary official documents, there is evidence that lands were seldom actually measured. Instead, the usual practice seems to have been to make a rough estimation of the cultivated area and fix rates at a level which ensured that revenue did not fall below existing levels. For instance, regulations promulgated in early 1817 for a fresh land survey of Morang district instructed the survey officers to recommend arrangements which would ensure that revenue did not decline much below the current level. The officers were warned that "the amount of revenue may decline considerably if lands are actually measured."¹³ The crop-tax system was, in fact, largely based on guesswork and approximation, with stability of the revenue being the basic concern.¹⁴

As mentioned before, the rate of tax under the crop-tax system depended on the nature of the crop. The tax assessment schedule for Mahottari district, first prescribed in 1793 and subsequently reconfirmed in 1809, for instance, contains a list of more than twenty crops, including rice, millets, and oil-seeds grown on different categories of lands on which taxes were assessed at different rates. The lowest rate was 12 annas per *bigha* of land under millets and lentils, whereas the highest rate of Rs. 6-8 (that is, six rupees and eight annas) was collected on lands growing tobacco. Lands on which rice was cultivated were taxed at rates ranging from two to four rupees.¹⁵

The crop-tax system possessed several advantages. It tied landholding rights to a specific plot of land and so linked revenue

13. "Revenue Regulations for Morang District" Magh Sudi 13, 1873 (January 1817), Sec. 15, *RRC*, vol. 36, p. 377

14. "Order Regarding Revenue Settlement in Rautahat", Baisakh Sudi 4, 1942 (April 1885), *RRC*, vol. 56, pp. 17-38.

15. Mahesh C. Regmi, *Thatched Huts and Stucco Palaces: Peasants and Landlords in 19th Century Nepal* (New Delhi: Vikas Publishing House Private Ltd., 1978). p. 54.

with both the extent and the productivity of agriculture. It also ensured that no part of the cultivated area escaped taxation and that the rates of tax were based on the value of the crop. The defects of the system are also obvious. It was feasible only in areas where the demand for agricultural lands was sufficiently high to generate competition for lands of a specific location and production qualities. During the early nineteenth century, these areas seem to have been limited to the eastern Tarai, particularly along the Nepal-India border. Elsewhere in that region, density of population was relatively low, and agricultural lands were not scarce enough for any peasant to undertake fiscal obligations on a specific holding, rather than move on to fresh undeveloped areas. As Campbell noted in 1837:¹⁶

There is an immense extent of unappropriated land in this (Tarai) tract, in consequence of which the cultivators have a large choice in fixing on the scene of their labours. New lands here as elsewhere in rich soils, throw up for two or three seasons most magnificent crops, with little trouble or expense to the farmer in their cultivation. Hence on the decline of the productive powers of the soil, to an ordinary standard, the cultivator not unfrequently abandons his fields for newer ones.

Campbell was, of course, commenting on the situation in the eastern and western Tarai regions. The far-western Tarai region, which was restored to Nepal in 1860, experienced a similar situation as recently as the last years of the nineteenth century. According to an official report of 1897, the districts of Kailali and Kanchanpur were :

Largely waste and uncultivated; hence the ryots leave their holdings fallow after four or five years and shift to new lands. However, they continue to pay taxes on their old

16. A. Campbell, "Notes on the Agriculture and Rural Economy of the Valley of Nepal", February 24, 1837 in *Stiller Typescript*, vol. 2, June 1973, p. 192.

holdings. This means that the government gets no revenue from the newly-reclaimed lands.¹⁷

In such circumstances, it was undoubtedly more realistic to define a peasant's holding for the purpose of agrarian-tax assessment in a somewhat loose form. This explains why the *mouja* and *hal* systems existed together with the crop-tax system in the Tarai region.

The *mouja* system meant that the entire *mouja*, rather than each *bigha* of land under actual cultivation, was used as the basic unit of tax assessment. It was generally used for tax assessment on newly reclaimed lands in the Tarai region as a prelude to eventual assessment under the crop-tax system. Indeed, this was one of the major agrarian reforms undertaken in the eastern Tarai region in 1793. A royal order issued for Saptari and Mahottari districts in that year placed cultivable forest and scrub lands into four categories, namely, *abal*, *doyam*, *sim*, and *chahar*, on the basis of location and productivity, and fixed the rate of tax at between five rupees in the first year and about Rs. 33 in the fifth year. The best *moujas*, however, were taxed at Rs. 5 in the first year and Rs. 54 in the third year. At the end of the stipulated period, the reclaimed lands were measured, and taxes were assessed under the crop-tax system.¹⁸ The total incidence of *mouja* taxation was obviously much lower than crop taxes on each *bigha* of land actually cultivated. This explains why leases based on the *mouja* system attracted not only enterprising local people and immigrants from India, but even such top-

17. "Order Regarding Land Reclamation in Kailali District", Kartik Badi 12, 1954 (October 1897), *RRC*, vol. 61, pp. 344-55.

18. "Royal Order Regarding Land Tax Assessment Rates in the Eastern Tarai Districts", Aswin Badi 8, 1850 (September 1793), *RRC*, vol. 36, pp. 26-32.

ranking members of the Kathmandu-based aristocracy as Prime Minister Bhimsen Thapa.¹⁹

The third system was based on the *hal*, or plow-team. *Hal* denoted an area which was roughly estimated to be equal to the tillage of an ox-drawn plow unit. A peasant's holding was accordingly estimated for the purpose of agrarian taxation as comprising one or more *hals*. The system was used in some areas on the Indian side of the border as well. According to the 1891 Settlement Report for Basti²⁰, for example, each tenant pays according to the number of ploughs, or the fraction of a plough, which he holds." The report goes on to say, "What the tenant actually pays rent for is the area of land which is considered equal to the tillage of a plough." There was no correlation between the *hal* and the actual cultivated area; hence "a tenant has to pay rent for the whole of the land allotted to his ploughs whether he cultivates it or not." The *hal* system was traditionally used for tax assessment

19. "Ijara Grant to Kaji Bhimsen Thapa for Land Reclamation in Specified Moujas of Bara District", Ashadh Badi 7, 1865 (June 1809), *RRC*, vol. 36, pp. 120-21.

20. J. Hooper, *Final Report of the Settlement of Basti District* (Allahabad : North-Western Provinces and Oudh Government Press, 1891), p. 37. Describing the *hal* or plow-team system in India, B. H. Baden-Powell writes : "Very often, a simple plan of division was to assume, roughly, a certain area to represent what a plough with a pair of oxen could till, and then to count up the number of ploughs possessed by the body, and assign (by lots drawn or otherwise an extent of 'plough units' corresponding to the number of ploughs owned. This would often happen where the village was formed by an associated or co-operative body." (B. H. Baden-Powell, *A Short Account of the Land Revenue and its Administration in British India, with a Sketch of the Land Tenures*, (Oxford, Clarendon Press, 1913), p. 85.

in at least three parts of the Tarai region; Morang in the eastern Tarai, the whole of the western Tarai, and Chitwan in the inner Tarai. However, it seems to have been used in a different manner in each of these areas. In Morang, it was used along with the *mouja* system for a specified number of years in the beginning after forest or scrub lands were brought under the plow. For instance, in Rajgadh and other areas of eastern Morang, now comprising the district of Jhapa, leases based on the *hal* system were issued for periods ranging between six and nine years, depending on location and productivity. The rates for each *hal* were fixed on a progressive basis, and, at least in one case, ranged between three annas in the first year and three rupees and five annas in the final year. The lands were then measured and brought within the ambit of the crop-tax system.²¹ Elsewhere, in the Tarai region, the agrarian tax system was based wholly on the *hal* system. In Seoraj, for instance, each *hal* paid Rs. 5-8 during the second year and Rs. 17 during the third and subsequent years after new lands were brought under the plow.²² *Hal* taxation in that region was the norm rather than a provisional concessionary arrangement aimed at compensating colonizers for their risk, investment and enterprise.

During the revenue settlement of 1837, the *hal* system in the western Tarai was replaced by a new system based on measurement of the cultivated area. The unit of assessment was the *mouja*, and the basis the *nasi*,²³ which encompassed

21. "Royal Order to Jagat Panje and others Regarding *Hal* Tax Assessment Rates in Rajgadh and other Pargannas", Shrawan Badi 2, 1862, (July 1805), *RRC*, vol. 6, pp. 198-99.
22. "Royal Order Regarding *Hal* Tax Assessment Rates in Seoraj", Poush Sudi 5, 1856 (December 1799), *RRC*, vol. 24, pp. 31-2.
23. In the far-western Tarai region, *nasi* denoted an area comprising 40 *bighas* of 1350 square yards each. "The Naya Muluk", *Regmi Research Series*, 13, no. 2, February

an area of 40 bighas of 1350 square yards each, rather than the standard bigha of 8100 square yards under the crop-tax system of the eastern Tarai. The basic land tax was collected at the uniform rate of Rs. 20-4 on each *nasi* without any reference to the crop. A number of additional levies, most of them being the perquisites of government officials and local revenue functionaries, were also collected on each *mouja*.²⁴ There is evidence to believe that the reform was prompted by considerations of administrative convenience, for it certainly did not augment revenue. On the contrary, revenue actually declined in Seoraj after the reform from Rs. 19004 in 1831²⁵ to about Rs. 15,601 a year after 1839.²⁶

In the inner Tarai district of Chitwan, the *hal* system was retained in the course of the 1837 revenue settlement, but the rates were progressively reduced over the years. At the beginning of the nineteenth century, each *hal* had paid about Rs. 9-8 but the rate was reduced in 1818 to Rs. 7-8 in the valleys, Rs. 6-8 in the hill areas, and only Rs. 2 in the Cachar

1, 1981, pp. 21-26. In the absence of evidence to the contrary it may be assumed that the term had the same denotation in the western Tarai region as well.

24. "*Thek-Thiti Arrangements for Seoraj*", *Jestha Badi* 30, 1894 (May 1837), *RRC*, vol. 34, pp. 374-412.

25. "*Ijara Grant to Subba Dharma Raj Khatri for Revenue Collection in Seoraj*", *Magh Badi* 9, 1887 (January 1831), *RRC*, vol. 44, pp. 174-75.

26. "Royal Order to Raj Kumar Prabhu Shah Regarding Revenue Collection in Seoraj," *Jestha Badi* 9, 1896 (May 1839), in Yogi Naraharinath op. cit, vol. 2, bk. 2, pp. 182-34. It should be noted that the annual payment amounted to Rs. 16,804 in 1837. "Royal Order to *Chaudharis* and *Mahatos* in Seoraj", *Jestha Badi* 30, 1894 (May 1837), *RRC*, vol. 40, pp. 520-22.

areas with a 50 percent concession to new settlers.²⁷ In 1837, land tax rates in Chitwan were further reduced when the local inhabitants complained:²⁸

The rates are so high that during the five-year period between 1830 and 1835 the inhabitants of 67 *moujas* have migrated to other areas while several others have become bondsmen. The remaining ryots too are finding it difficult to retain their holdings.

The new rates ranged between one rupee in the hill areas and Rs. 2-8 in the plain areas for each *hal* team. Landless agricultural laborers paid one rupee and two rupees for each household in the two areas respectively.²⁹ Notwithstanding such a progressive lowering of tax assessment rates, agrarian tax revenue from Chitwan district increased by nearly four times between 1812 and 1851, the actual amounts being Rs. 5642 in 1812,³⁰ Rs. 11,753 in 1831,³¹ and, as mentioned in Table 3, Rs. 21,016 two decades later. The fiscal concessions were obviously attractive enough to induce immigration and extension of the cultivated area.

27. "Amanat Regulations for Chitwan, A.D. 1818", *Regmi Research Series*, year 16, nos. 9-10, September-October 1984, pp. 132-35. The term Cachar means "a high river bluff", or "a high, steep, broad-faced bank or cliff." *Ibid.*

28. "Royal Order Regarding Land Tax Assessment Rates in Chitwan", *Jestha Badi* 30, 1894 (May 1837), *RRC*, vol. 26, pp. 644-48.

29. *Ibid.*

30. "Ijara Grant to Gajabal Baniya for Revenue Collection in Chitwan", *Magh Sudi* 8, 1868 (January 1812) *RRC*, vol. 40, pp. 369-70.

31. "Ten-year Ijara Grant to Fouzdar Prayag Datta Jaisi for Revenue Collection in Chitwan", *Jestha Sudi* 10, 1879 (June 1822), *RRC*, vol. 43, pp. 308-11. This is a rare example of a 10-year revenue collection of *ijara*.

2. The Hill Region

As noted previously, the hill region contributed virtually no agrarian tax revenue at the middle of the nineteenth century. In subsequent years, however, particularly after the 1860s, the situation changed as a result of extension of settlement and cultivation. A brief outline of the agrarian tax assessment system in the hill region would, therefore, appear necessary at this stage.

The agrarian tax system in the hill region was determined by three basic needs of a typical peasant : a roof over his head, a plot of hillside land for use as a homestead, and a rice-land holding lower down in the foothills or the valleys. The agrarian tax system accordingly comprised three components in the form of taxes on the roof, on the homestead, and on the rice-land holding. However, the agrarian society of the hill region was by no means an egalitarian one, and a proletarian bringe in the form of agricultural laborers, known as *sukumbasi*, who owned nothing but a patch of land barely sufficient to accommodate a thatched hut, was also a characteristic feature of that society. *Sukumbasi* paid only the roof tax, and naturally no homestead or rice-land taxes.

The tax on the roof was known as *saunefagu*. Chapter 2 had listed *saune* and *fagu* as separate levies under the heading of Crown revenues. As also noted in that chapter, these levies were amalgamated into a single tax, detached from the jurisdiction of the royal household, and brought within the ambit of the state agrarian tax system in the course of revenue settlements conducted in 1837. The *saunefagu* tax was thereafter assessed on each "roof", irrespective of the size of the family or the area of its landholding. That is to say, all households in the village were required to pay the *saunefagu* tax at a flat rate without reference to any objective criteria determining their tax-paying capacity. The rates of the tax, however, varied in different parts of the hill region. It was normally

one *anna* on each roof over most of the hill region³² and half of that amount in Kathmandu valley. The 64 households of Halchok village in Kathmandu thus paid a total amount of two rupees as *saunefagu*, or an average of half an *anna* for each household.³³ On the other hand, the average rate of the Bheri Mahakali region of far-western Nepal amounted to two *annas* on each roof.³⁴

The roof-tax system was different in the *kipat* areas of the eastern hill region beyond the Dudhkosi river. *Kipat* owners paid a roof tax similar to the *saunefagu*, but at much higher rates, which were different for different communal groups in different regions. For instance, Limbu households in the Pallokirat areas paid between Rs. 6-8 and Rs. 7 each³⁵ while the Sherpas of Solu paid Rs. 5-8 on each roof.³⁶ The high burden of roof taxation under the *kipat* system, compared

32. "Royal Order Regarding New Rates of *Saune* and *Fagu* Levies", Jetha Sudi 15, 1890 (May 1833), *RRC*, vol. 26, pp. 318-20.

33. "Royal Order Regarding Agrarian Tax Payments in Halchok Village", Marga Sudi 7, 1894 (November 1837), *RRC*, vol. 34, pp. 647-48.

34. The 85 households of Mugu village in Jumla thus paid a total amount of Rs 10-10 as *saunefagu*. This makes an average payment of two *annas* for each household. "Thek-Thiti Arrangements for Mugu village in Jumla", Baisakh Badi 13, 1907 (April 1850), *RRC*, vol. 80, pp. 620-5.

35. Mahesh C. Regmi, *Land Tenure and Taxation in Nepal*, (Kathmandu : Ratna Pustak Bhandar, 1978), p. 557.

36. "Royal Order to Sangba Bhote of Chainpur", Chaitra Badi 10, 1906 (March 1850), *RRC*, vol. 80, pp. 198-99. According to this order, the Bhotas of Solu paid a tax of Rs. 5 1/2 on each household, and the same rate was made applicable to the Bhotas of Chainpur in Pallokirat as well.

with the *saunefagu* system of other communities, was, however, partially offset by the practice of exempting rice-lands from taxation as part and parcel of traditional privileges under the system. But once any *kipat* homestead passed under non-Limbu occupation, it became eligible for taxation under the *saunefagu* system.³⁷

As mentioned above, a plot of hillside land for use as a homestead was the second basic need of a typical peasant family in the hill region. Homesteads were not only residential units but also units of production. Because settlements in that region are usually of the dispersed type, only a part of the homestead was used for residential purposes. The remaining area was used to grow dry crops, or as kitchen gardens and cattle-sheds, hence the significance of a separate homestead-tax. Homesteads were usually divided into three categories for purposes of taxation. Because the hilly terrain made measurement difficult, these categories were determined through an approximate estimation of the size, the chief criterion being whether or not the holding could be plowed with oxen, and, if so, how many ox-teams were required for this purpose. A *pakho* holding that could be plowed by an ox-team in one day was classified as *hale*; half of that was *pate*; a holding that was too small to be plowed with oxen and had to be dug with a spade was a *kodale*.³⁸ Taxes on homesteads were traditionally known as *serma*,³⁹ and usually collected in cash, the most common rates being one rupee for a *hale* holding, 12 *annas* for a *pate*, and 8 *annas* for a *kodale*.⁴⁰ A non-residential holding, known as *fadke* was taxed on the basis of an approximate estimation of its size without any

37. "Royal Order to Ramajit Rai", Falgun Badi 3, 1868 (February 1812), *RRC*, vol. 40, p. 378.

38. Regmi, *Land Tenure and Taxation*, p. 64

39. *Ibid.*, pp. 73-74.

40. "Royal Order Regarding Rates of *Serma* Taxes in Palchok", Poush Sudi 9, 1885 (December 1828), *RRC*, vol. 43, pp. 162-63.

reference to the number of ox-teams required for its cultivation.⁴¹

The *saunefagu-serma* system of homestead taxation in the hill region provided a broad-based source of much-prized revenue, since almost each peasant family came within its scope and paid at least half a rupee every year. Its importance in the social and political context should also not be overlooked. Payment of the *saunefagu* and *serma* taxes constituted evidence of membership of the village community, and any household which did not do so was felt to be "as if it does not owe allegiance to the government."⁴²

The base of the *saunefagu-serma* tax system was circumscribed by wide-ranging exemptions. Such exemptions were of two categories. The first category comprised exemptions granted to individuals or groups in consideration of gratuitous services to the state. For instance, mail carriers employed under the *hulak* system,⁴³ and blacksmiths employed in state-owned munitions factories,⁴⁴ were normally exempt from the *saunefagu* tax. Exemptions of the second category were due to privileged caste or other social status. Thakuri and Rajput households all over the Kingdom were thus granted exemption from the *serma* tax in 1863, subject to a ceiling of one rupee on each homestead.⁴⁵

41. *Ibid.*

42. "Order to the Jumla *Mahajanah* Regarding Agrarian Tax Assessments", *Jestha Sudi 2*, 1954 (May 1897), *RRC*, vol. 61, pp. 642-59.

43. Regmi, *A Study in Nepali Economic History*, p. 188.

44. "Royal Order to Blacksmiths in Parbat", *Kartik 10*, 1867 (October 1810), *RRC*, vol. 38, pp. 584-85

45. "Order to Dittha Manbir Rajbhandari of the Sadar Dafdarkhana", *Chaitra Sudi 1*, 1931 (March 1875), *RRC*, vol. 80, pp. 824-25; Regmi, *Land Tenure and Taxation*, p. 87.

Peasant households in specified areas of the hill region paid two other levies in cash namely, *jhara* and *chhalahi*. The term *jhara*, as defined in Chapter 2, denoted the peasant's obligation to work for the state without wages; the obligation was often commuted into a cash payment when the state did not need such work. This was the case in the eastern hill region⁴⁶ and a few districts in the western hill region such as Doti.⁴⁷ Specified groups such as Brahmans and Ganes, as well as military employees and *hulak* porters, were traditionally exempt from *jhara* obligations. They were, consequently, exempt from the *jhara* levy as well.⁴⁸ *Chhalahi* denoted the obligation of cobblers and other groups who customarily ate the flesh of dead cattle, or hunted wild animals for a living, to supply a specified number of hides and skins to state-owned munitions factories.⁴⁹ That obligation too was often commuted into a cash payment, presumably because supply exceeded actual

46. Regmi, *A Study in Nepali Economic History*, pp. 115-16; "Commutation of Jhara Obligations in Different Areas of Chainpur", Kartik Sudi 11, 1867 (November 1810), *RRC*, vol. 38, p. 398, and Chaitra Sudi 15, 1884 (March 1828), *RRC*, vol. 31, pp. 336-39; "Receipt for Jhara Revenues from the Arun-Mechi Region", Bhadra Badi 5, 1887 (August 1830), *RRC*, vol. 44, pp. 66-7. In 1853, such revenue amounted to Rs 17,634 from the eastern hill areas of Majhkirat, Sindhu, Dolakha, and Chisankhu. "Revenue and Expenditure of the Government of Nepal", 1910 (1853), *RRC*, (Miscellaneous), p. 12.
47. "Royal Order to Kaji Narasimha Thapa Regarding Commutation of *Jhara* Obligations in Doti", Ashadh Badi 11, 1894 (June 1837), *RRC*, vol. 26, 656.
48. "Commutation of *Jhara* obligations in Different Areas of Chainpur", 1828 (See n. 46 above): "Royal Orders Regarding Facilities and Privileges of Hulak Porters in Salyan", Marga Sudi 13, 1877 (November 1820), *RRC*, vol. 38, p. 260.
49. "The Hides and Skins Levy" *Regmi Research Series*, year 11, no. 2, February 1, 1979, pp. 21-22.

needs.⁵⁰ As previously noted, the *Chhalahi* levy yielded a revenue of Rs. 4,625 in 1851.

Rice-land taxation was the third component of the agrarian tax system in the hill region.⁵¹ Different systems of assessment of the rice land tax were followed in different parts of the region, but they had two elements in common. The first was a system of grading rice-lands according to productivity. Four grades were recognized for this purpose, namely, *abal*, *doyam*, *sim*, and *chahar*, but these terms never appear to have been officially defined and in many areas the tax assessment records even make no formal reference to these grades. The second element pertained to the system of measurement. The area of rice-land holding was invariably calculated in terms of a unit known as the *muri* for the purpose of tax assessment. However, rice land holdings were seldom actually measured; as in the Tarai region, their area was calculated on the basis of a rough estimation. The actual area of a *muri*, however, differed for rice lands of different grades. A *muri* of *abal* land thus measured 1190.25 square feet, but as much as 1785.37 square feet in the case of *chahar* lands. The figures were 1338.94 square feet and 1487.64 square feet for lands of *doyam* and *sim* grades respectively.⁵² The variable connotation of the *muri* makes it difficult to compare the incidence of taxation on rice lands of different grades.

If systems of grading and measuring rice lands were more or less uniform throughout the hill region, those followed for assessing taxes on such lands present a quite different picture.

50. "The Hides and Skins Levy" *Regmi Research Series*, year 12, no. 8, August 1, 1980, p. 115; "The Chhalahi Levy", *Ibid.* year 15, no. 2, February 1983, pp. 19-21.

51. Mahesh C. Regmi, *The State and Economic Surplus; Production, Trade and Resources Mobilization in Early 19th Century, Nepal*. (Varanasi; Nath Publishing House, 1984), p. 142.

52. *Ibid.*, p. 146.

There was a wide diversity in systems of assessment in the far-eastern and far-western regions on the one hand, and the central region, on the other. The rice land tax was assessed invariably in cash in both the far-eastern and far-western hill regions. The basis of assessment is not clear, but the rates averaged 3 to 4 annas a *muri*.⁵³ The rice land tax system in these regions was, however, more complex than this simple statement suggests. The reason is that the tax was usually collected in the form of commodities required by local civil and military establishments of the government, rather than in cash. The rates at which the value of such commodities was adjusted against the assessed tax were officially fixed and gave rise to frequent bickerings between the government and the local peasantry.⁵⁴

In the central hill region,⁵⁵ on the other hand, the time-honored practice was an equal division of the produce between the landlord, whether a *birta*owner or a *jagirdar*, or the government itself, and the peasant. The system was accordingly known as *adhiya*. Because of the practical difficulties faced in such a division of the produce, the *adhiya* system was gradually replaced by the *kut* system after the early nineteenth century. Under the *kut* system, the rice land tax was fixed at a specific quantity of paddy, rather than at a specified percentage of the actual produce. *Birta*owners and *jagirdars* collected their *kut* rents in kind, or converted them into cash according to convenience. On rice lands under *jagera* tenure,

53. *Ibid.*, p. 142.

54. "Order Regarding Food Procurement in Doti", Magh Badi 10, 1949 (January 1893), *RRC*, vol. 57, pp. 69-85, and Magh Sudi 2, 1849 (January-1893), *RRC*, vol. 50, pp. 779-96; "Royal Order Regarding Tax Payments in Humla and Jumla", Ashadh Badi 5, 1893 (June 1836), *RRC*, vol. 40, pp. 491-96.

55. This account is based on Regmi, *Thatched Huts and Stucco Palaces*, pp. 54-57.

however, such options were usually non-existent, for the government possessed neither the need nor the facilities to collect, store, and dispose of in-kind rents. Consequently, the *kut* tax on rice land under *jagera* tenure in the central hill region was usually assessed and collected in cash, the average rate per *muri* being about the same as in the far-eastern and far-western hill regions.

We may conclude this section with an emphasis on two main characteristics of the pre-Rana system of agrarian taxation. Firstly, the system had a narrow base, inasmuch as large areas of taxable lands and homesteads in all parts of the Kingdom had been granted to individuals and institutions under such tax-free tenures as *birta*, *guthi*, and *jagir* and, consequently, lay beyond the state's *jagera* jurisdiction. Secondly, defective systems of survey and measurement left large areas of taxable lands officially unrecorded and resulted in a leakage of revenue.

Agrarian Taxation under the Ranas

These shortcomings of the traditional agrarian tax system determined the content of Rana policies in this field. We shall now discuss these policies under two broad headings: Extension of the cultivated area and administrative reforms. It would be pertinent to stress one point before taking up the question of agrarian taxation during the early period of Rana rule. The Ranas were fortunate in being able to start with a much wider agrarian tax base than their immediate predecessors. This was due to the accretion of territory in the far-western Tarai region under an agreement signed with the British Indian government in 1860. The Tarai territories of Nepal, consequently, increased by 44.2 percent, from 6,422 square miles to 9,215 square miles. To be sure, agrarian-tax revenue from the new territories amounted to no more than Rs. 106,641 at the time of their accretion in 1860,⁵⁶ or 5.12

56. "The Naya Muluk", *Regmi Research Series*, year 13, no. 2, February 1, 1981, pp. 21-26.

percent of the amount of Rs. 2,079,951 collected from the entire Tarai region (excluding the inner Tarai) in that year, as we shall show later. The reason was that these territories were then largely waste and uncultivated, but this also meant that they possessed tremendous prospects for extension of cultivation.

(a) Extension of the Cultivated Area

Such prospects, however, were by no means limited to the far-western region. Indeed, the entire Tarai region, located on the northern fringe of the northern Indian plains, was relatively undeveloped at the middle of the nineteenth century. Successive rulers since the time of Prithvi Narayan Shah had made extension of the cultivated area in that region an integral part of their economic policy.⁵⁷ There was, nevertheless, a basic difference in the objectives of the early Rana rulers and their predecessors insofar as land reclamation and settlement were concerned. The pre-Rana rulers encouraged such reclamation and settlement with the main objective of increasing the area available for *birta* and *jagir* land grants, although occasionally security of border areas was an equally important objective. The Ranas, on the other hand, encouraged land reclamation and settlement with the primary objective of raising revenue.

In any case, the Ranas were able to implement the agricultural development policies in the Tarai region in a more congenial atmosphere than their predecessors. Jung Bahadur's policy of maintaining friendly relations with the British Indian government made obsolete the "traditional constraints in the colonization of the Tarai region, which had already weakened

57. During the early years of the nineteenth century, Francis Hamilton recorded that "the Gorkhalese.....have cleared much of the (Tarai) country, although still a great deal remains to be done". Francis Buchanan Hamilton, *An Account of the Kingdom of Nepal*, reprint of 1819 ed., New Delhi: Manjusri Publishing House, 1971, p. 64.

after the advent of Gorkhali rule.”⁵⁸ In addition, the development of Indian railroad system, and the consequent spurt in economic activity in India after the third quarter of the nineteenth century, opened up unlimited prospects for the export of agricultural and other primary commodities from the Tarai region of Nepal. The impact of those favorable external factors was supplemented by liberal tenurial and fiscal privileges to prospective colonizers, and introduction of the *jimidari* system to act as a source of capital investment and enterprise in agricultural development. The attractions were obviously so great that particularly during the closing years of the 19th century, colonizers willingly relinquished facilities and concessions offered by the government if they were only granted official permission for their colonization schemes⁵⁹, and revenue officials vied with each other in putting forward colonization schemes and stipulating increased amounts of land tax revenue.⁶⁰

More important, the early Rana rulers, like their predecessors, actively encouraged immigration from India into the

58. Regmi, *Thatched Huts and Stucco Palaces*, p. 140. In 1831, Brian H. Hodgson had written: “The open low lands of Nepal have been wonderfully resuscitated by the continued peace and alliance with our government, and energy of the Nepalese administration since 1816.” Brian H. Hodgson, “On the Commerce of Nepal”, 1831, in *Essays on the Languages, Literature and Religion of Nepal and Tibet* (reprint of 1874 ed. New Delhi: Manjusri Publishing House, 1972), p. 120.

59. “Order to Majhkhanda Mal Regarding Application for Forest Land Reclamation”, Poush Badi 6, 1942 (December 1885), *RRC*, vol. 56, pp. 96-100.

60. “Order to Captain Lal Bahadur Karki Chhetri Regarding Land Reclamation in Chitwan”, Poush Badi 11, 1942 (December 1885), *RRC*, vol. 56, pp. 117-30.

Tarai region.⁶¹ Tenurial inequities in the adjoining areas of northern India⁶² made it possible for the Ranas to implement that policy with a considerable measure of success. As local authorities of Champaran district, adjoining the central Tarai region of Nepal, reported to the East India Company government in 1855.⁶³

The curse of this district is the insecure nature of the ryot's land tenure. The cultivator, though nominally protected by regulations of all sorts, has practically no right in the soil, his rent is continually raised; he is oppressed and worried by every successive ticcadar, until he is actually forced out of his holding and driven to take shelter in the Nepal Tarai.

Thanks largely to immigration from India, the cultivated area in the Tarai region increased steeply during the half-century of Rana rule.⁶⁴ The trend inevitably had a positive impact on the role of that region as the major source of state revenues.

61. There are numerous references to the open immigration policy followed by the pre-Rana rulers for agricultural development in the Tarai region during the late eighteenth and early nineteenth centuries, Cf. "Land Reclamation in the Eastern Tarai Region", in Mahesh C. Regmi, *Readings in Nepali Economic History*, pp. 143-44, and 190-1. The Ranas continued this policy and implemented it vigorously. "Revenue Regulations for the Eastern Tarai Districts" Magh Badi 6, 1918 (November 1861), Sec. 68, *RRC* vol. 10 pp. 50-52.

62. Regmi, *Thatched Huts and Stucco Palaces*, p. 145.

63. Girish Misra, *Agrarian Problems of Permanent Settlement: A Case Study of Champaran* (New Delhi: People's Publishing House, 1978), P. 131,

64. For instance, the total taxable area in Kailali and Kanchanpur districts amounted to 76,588 standard bighas in 1896 against a total area of only 47,655 bighas for the entire-

(b) Administrative Reforms

As noted previously, defective methods of land survey and measurement were one of the reasons why pre-Rana rulers had not been able to maximize agrarian tax revenue from the area under cultivation at the time. The early Rana rulers introduced a number of reforms in order to remove these defects, such as measurement of the cultivated area and extension of the crop-tax system, in the western Tarai and the far-western Tarai region. Survey officials in these regions were expressly instructed "not to leave a single cubit-length of cultivated land unmeasured", so that there might be no loss of revenue.⁶⁵ These reforms made the land tax assessment system more effectively based on the actual cultivated area.

There were, however, important exceptions. That is to say, traditional systems of tax-assessment without actually measuring the cultivated area were retained in many parts of the Tarai region. In the eastern Tarai, for instance, the *hal* system was retained in areas where it had been customarily prac-

far-western Tarai region at the time of its restoration to Nepal nearly four decades previously. "Land Taxation in Kailali and Kanchanpur", *Regmi Research Series*. Year 13, no. 11, November 1, 1981, pp. 165-67, "The Naya Muluk" *Ibid.*, year 13, no. 2, February 1, 1981, pp. 21-26. See also Frederick H. Gaige, *Regionalism and National Unity in Nepal* (New Delhi : Vikas Publishing House Pvt. Ltd., 1975) pp. 58-73.

65. "Revenue Regulations for the Western Tarai Districts", Shrawan Sudi 15, 1906 (July 1849), *RRC*. vol. 64, p. 472, and Marga Badi 6, 1918 (November 1861), *RRC*, vol. 47, pp. 578-79; "Survey Regulations for the Naya Muluk Region", Marga Badi 12, 1917 (November 1860), *RRC*, vol. 47, p. 418. These regulations do not specify the units of measurement in the far-western Tarai region, but only prescribe that the system used in the western Tarai region be followed.

eticd.⁶⁶ In the far-western Tarai, the objective of attracting settlers from the hill region led the Ranas to introduce the *serma* system of agrarian taxation as traditionally followed in the hill region without measuring holdings. In Kailali and Kanchanpur, for instance, there were at the end of the nineteenth century at least 356 households who paid taxes under the *serma* system on their unmeasured holdings.⁶⁷

The Rana government, moreover, seems to have been unable to establish a standard *bigha* in all parts of the Tarai region. To be sure, it enacted legislation in 1854 standardizing the 8,100 square yard *bigha* in all parts of that region,⁶⁸ but the old disparities were retained in actual survey operations. For instance, survey regulations for the eastern Tarai districts, promulgated in 1861, noted that the 19,600 square yard *bigha* was used in the *pargannas* of Pakariya, Dhanchhawar, and Gudigaun in Saptari district, and prescribed that the customary practice be followed.⁶⁹ In Mahottari district, tax assessments based on non-standard *bigha* units of 4556.25 square yards, 4,900 square yards or even 6006.25 square yards appear to have remained in use until the first decade of

66. "Revenue Regulations for the Eastern Tarai District", Marga Badi 6, 1918 (November 1861), Sec, 10, RRC, vol. 10, p. 157.

67. "Land Taxation in Kailali and Kanchanpur", *Regmi Research Series*, year 13, no. 11 November 1, 1981, pp. 165-6.

68. Government of Nepal, "Jagga Jamin Ko" (On land matters) in Ministry of Law and Justice, *Shri 5 Surendra Bikrama Shah Devaka Shasanakalma Baneko Muluki Ain* (Legal Code enacted during the reign of King Surendra Bikrama Shah Dev), Kathmandu : the Ministry 2022 (1965), sec. 39, p. 28.

69. "Revenue Regulations for the Eastern Tarai Districts", Marga Badi 6, 1918 (November 1861), 13, RRC, vol. 10, pp. 158-59.

the twentieth century.⁷⁰ In the western and far-western Tarai, taxes were assessed on the basis of a *bigha* comprising as much as 22,500 square yards.⁷¹

Registration of undeclared lands comes next in the list of administrative reforms introduced by the early Rana rulers in the field of agrarian taxation. In the hill region, in particular, weak administrative supervision and control had encouraged on a wide scale the practice of bringing new lands into cultivation without official permission. Such lands, although in theory owned by the state, remained undeclared and hence untaxed for a long period of time, thereby leading to a significant loss of revenue. The problem was not a new one, but predated the Gorkhali conquests. A number of measures had, therefore, been initiated during the early nineteenth century to detect undeclared lands in the hill region and bring them within the ambit of the tax system.⁷² The Rana rulers pursued this policy with greater vigor and deputed official teams to different parts of the hill region from time to time with that objective.⁷³ Obviously realizing the futility of such sporadic measures in solving what essentially was an ongoing problem, Prime Minister Jung Bahadur initiated the compilation of

70. "*Khadganishana* Order Regarding Revenue Settlement in Mahottari", Kartik 21, 1967 (November 7, 1910) *RRC*, vol. 12, p. 152-53.

71. "Revenue Regulations for the Western Tarai Districts", Marga Badi 6, 1918 (November 1861), *RRC*, vol 47, pp. 578-79.

72. Regmi, *A Study in Nepali Economic History*, p. 29.

73. "Registration of Undeclared Lands in the Madi-Bheri Region", *Regmi Research Series*, year 16, no. 8 August 1984, pp. 119-20; "Public Notification Regarding Registration of Undeclared Lands in the Sanga/Sindhu-Mechi Region", Baisakh Sudi 10, 1907 (April 1850), *RRC*, vol. 79, pp. 94-96; do. in the Trishuli-Bheri region, Aswin Badi 7, 1907 (September 1850), *Ibid.*, pp. 179-80.

a complete record of landholding rights in the entire hill region. The work was completed in two stages between 1854 and 1868.⁷⁴ The 1868 records were maintained on a current basis and remained in the use until the 1960s in several districts of the hill region, including Kathmandu valley. In the Tarai region, on the other hand, land surveys were undertaken repeatedly during the early Rana period. Such frequent surveys were obviously found necessary because of the rapid extension of cultivation, for they helped to make the agrarian tax system correspond more closely with the actual cultivated and taxable area. There is evidence, nevertheless, that the scale of reclamation outstripped the speed with which tax records could be updated. For instance, a fiscal survey of the western Tarai region, undertaken by Bir Shumshere in 1895, revealed large-scale discrepancies in the tax register, owing to which the registered area of holdings was much less than the actual area.⁷⁵

Rates of Agrarian Taxation

Significantly, the early Rana rulers seldom raised the rates of agrarian taxation with the objective of increasing revenue. Available evidence suggests that they left the rates more or less unchanged throughout the hill region. In the Tarai, they initiated a number of steps to rationalize the agrarian tax system. For instance, a number of levies and surcharges on the land tax were abolished and the land tax was consolidated into a single item of payment.⁷⁶ However, the overall nominal incidence probably remained unchanged.

Indeed, the Ranas appear to have followed a very circumspect policy in the field of agrarian taxation. Their primary concern was not to increase the volume of agrarian tax reve-

74. Regmi, *Thatched Huts and Stucco Palaces*, p. 62.

75. "Sunar and Khajahani", *Regmi Research Series*, year 13, no. 10, October 1, 1981, pp. 1489-50.

76. Regmi, *Thatched Huts and Stucco Palaces*, p. 63.

nue but to ensure that it did not fall below current levels.⁷⁷ Changes in the tax-assessment schedule were usually sanctioned only on the basis of a consensus among the local *jimidars* and peasantry. A single instance may be sufficient to illustrate the policy. In 1883, most of the *Chaudharis* and landowners of Rautahat district accepted an increase in the land tax by six annas a *bigha*; eighteen ryots later submitted a petition to Prime Minister Ranoddip Simha protesting against the increase. Ranoddip Simha then cancelled the proposal on the ground that there was no consensus among the local peasantry. Local authorities pointed out that such a consensus was hardly possible in view of the large number of peasants in the districts, but the argument fell on deaf ears.⁷⁸

Bir Shumshere appears to have raised agrarian tax rates in the eastern Tarai region only once during his fifteen-year rule. The increase, approved in 1892, amounted to 2 paise in the rupee, or 3.12 percent.⁷⁹ Even this paltry increase was sanctioned to compensate in part the waiver of agrarian-tax arrears that had accumulated since 1866, to which a reference has been made in Chapter 3. Often surcharges were collected on a one-time basis to raise the cost incurred of fresh land surveys. For instance, a surcharge of 1 paise per *bigha*, and one rupee on each household of settlers from the hill region, was imposed in Kailali in 1897 to pay for the expenses of a fresh survey.⁸⁰ It is obvious, however, that such measures did not increase the amount of agrarian tax revenue.

77. "Order to Captain Dalamardan Thapa Regarding Land Tax Assessments in the Eastern Tarai Region" Baisakh 3, 1907 (April 1850), *RRC*, vol. 64, pp. 506-8.

78. "Order Regarding Revenue Settlement in Rautahat" 1885 (See no. 14 above).

79. "Order to Captain Harilal Padhya Regarding Revenue Arrears in Mahottari District", Poush Sudi 8 1957 (December 1900), *RRC*, vol. 70, pp. 37-52.

80. "Order Regarding Surcharge on Land Tax in Kailali District", Kartik, Badi, 11, 1954 (October 1897) *RRC*, vol. 61, pp. 344-56.

The Impact

What was the impact of Rana policies on the volume of agrarian tax revenue? If agrarian tax revenue constituted the strongest prop of the Kingdom's fiscal system at the middle of the nineteenth century, these policies made it even more so. We had noted at the beginning of this chapter that such revenue had amounted to slightly more than Rs. 1 million in 1851. The following statistics show that the figure approximately doubled during the subsequent decade.

Table 4: Agrarian Tax Revenue, 1851-61

Region	1851	1861 ⁸¹	% of increase
Eastern Tarai	777,008	1,586,747	104.1
Western Tarai	218,458	386,928	77.06
Far-western Tarai	—	105,641	—
Inner Tarai (Chitwan)	21,016	22,451	6.8
	1,016,482	2,101,767	106.8

Comparable statistics are not available for the subsequent years of the nineteenth century, but there seems no reason to doubt that trends that had started during the early years of Rana rule, such as an increase in the cultivated area, particularly in the Tarai region, and extension of the area under *jagera* tenure in the hill region, witnessed a further acceleration. The sporadic evidence that is available would appear to substantiate this conclusion. For instance, Khajahani district in the western Tarai region yielded Indian Rs. 433,956 (or Nepali Rs. 532,765) in 1900,⁸² whereas the entire region had yielded no more than Rs. 386,562 in 1861. Similarly, the districts of Kailali and Kanchanpur in the far-western region

81. "Revenue and Expenditure of the Government of Nepal", 1918 (1861), *RRC*, (Miscellaneous). The Indian rupee component of revenue has been converted into Nepali rupees at the rate of 100 : 123, as noted chapter 2.

82. "Sunar and Khajahani", (See no. 75 above).

yielded Indian Rs. 302,062 (or Nepali Rs. 371,536) in the same year,⁸³ against Rs. 105,641 for the entire region in 1861.⁸⁴ In contrast, other sources of revenue remained virtually stagnant, so that agrarian taxation may be safely presumed to have retained its 1851 role as a source of approximately three quarters of the total revenue. The total revenue at the end of Bir sumshere's rule in 1901 has been estimated at approximately Rs. 12 million in Chapter 2, hence an estimate of Rs. 9 million from agrarian taxation alone may not be too wide off the mark.⁸⁵ We may, therefore, conclude that agrarian tax revenue increased by at least nine times during the early Rana period.



83. "Order to Kailali-Kanchanpur Mal Regarding Remittances", Kartik Badi 5, 1958 (October 1901), *RRC*, vol. 87, pp. 102-19.

84. In November 1901, a single disbursement order covered the following amounts in Indian rupees from revenue offices in the following districts; Rautahat-Sarlahi : Rs. 400,000; Mahottari : Rs. 400,00; Siraha : Rs, 100,000; Hanuman-nagar : Rs. 300,000; Total : Rs. 1,200,000, "Order Regarding Disbursements from Revenue Offices in Eastern Tarai Region", Marga Badi 8, 1958 (November 1901) *RRC*, vol. 87, pp. 354-64. Disbursements on such a scale were unthinkable at the middle of the nineteenth century.

85. In 1949, the penultimate year of Rana rule, agrarian tax revenue amounted to Rs. 11.39 million, exclusive of the amount collected from a surcharge known as *bigahatti* on an *ad hoc* basis, and revenue from *guthi* lands. "Revenue and Expenditure of the Government of Nepal", *Nepal Gazette*, vol. 1, No. 32, Chaitra 5, 2008, (March 18, 1952. pp. 51-52).

CHAPTER V

Agricultural Plantations

Chapters 5-7 will discuss the policies and programs followed by the early Rana rulers with the objective of raising revenue from production and trade in the state sector. That sector owed its origin to state ownership of such natural resource as agricultural lands, mines, and forests. Mines and forests were exploited under the direct control and supervision of the state. Agricultural lands, on the other hand, were usually cultivated under various tenurial arrangements which assigned the peasant the role of an independent producer; hence the system of agrarian taxation that we have described in Chapter 4. During the early Rana period, the state experimented with agricultural plantations in the state sector with the objective of raising revenue. Such plantations were confined to a few crops, mainly tea and cotton, and to a few areas in the hill and inner Tarai regions. Consequently, the contribution made by state-owned agricultural plantations to the state exchequer was at no time of much importance. The subject nonetheless merits attention in the context of the present study. The reason is that it marks the introduction of a new mode of agricultural production against the pervasive backdrop of a traditional economy. Moreover, plantations as a mode of agricultural production were introduced in South

Asia only during the second half of the nineteenth century,¹ so that their experimentation in Nepal is a matter of interest to economic historians.

Tea Plantations

The feasibility of growing tea in the hill region of Nepal had been established during the early 1830s, when tea seeds and plants were procured from China and planted in the British Residency gardens at Kathmandu. Although the plants were reported to have flourished greatly, no use was made of the experiment for commercial purposes.² Commercial cultivation of tea had to wait until the third quarter of the nineteenth century, when the rapid growth of India's tea industry, particularly in Assam and Darjeeling³, encouraged Nepal to

1. Gunnar Myrdal, *Asian Drama : An Inquiry into the Poverty of Nations* (Middlesex : Penguin Books, 1968), vol. 1, p. 443.
2. Brian H. Hodgson, "On the Colonization of the Himalaya by Europeans" in *Essays on the Languages, Literature, and Religion of Nepal and Tibet* (reprint of 1874 ed; New Delhi : Manjusri Publishing House, 1972), pp. 87-8. Hodgson wrote in 1856 : "The fitness of the Himalayas for tea growing was fully ascertained twenty-five years ago in the valley of Nepal, a normal characteristic region, as well in regard to position as to elevation. Tea seeds and plants were procured from China through the medium of the Cashmere merchants then located at Kathmandu. They were sown and planted in the Residency garden, where they flourished greatly, flowering and seeding as usual... And yet, in spite of all this, twenty years were suffered to elapse before any effective notice of so important an experiment could be obtained."
3. D. R. Gadgil, *The Industrial Evolution of India in Recent Times, 1860-1939* (Bombay : Oxford University Press, 1971), pp. 50-53; Sir George Watt, *The Commercial Products of India* (reprint of 1908 ed; New Delhi : Today & Tomorrow Printers and Publishers, 1966), p. 217.

make a venture in the field. Nepal's first plantations for the cultivation of tea were started at Ilam and Soktim in the far-eastern hill region adjoining Darjeeling during the early 1860s.⁴ These plantations were initially owned and managed by the government, but appear to have been placed under *ijara* management during the closing years of the nineteenth century. They formed the nucleus of the tea development program started by the Nepal Tea Development Corporation, a state-sector undertaking, during the 1970s.

The spin-off of the state-owned agricultural plantations in Ilam and Soktim on private enterprise in the field was also no less significant. In 1871, the Commander-in-Chief, General Dhir Shumshere, was granted authority to start tea plantations on uncultivated tracts in the Dudhkoshi-Mechi region.⁵ The venture appears to have met with some measure of success, for, two years later, Dhir Shumshere was granted concessions "in appreciation of your success in introducing a new crop on waste lands with a big investment."⁶ This was the sole instance of private enterprise in tea production in Nepal during the nineteenth century, but no information is available about its progress.

In subsequent years, two more tea plantations were started in the state sector, one in Udayapur in the eastern inner

4. Ishwar Chandra Sharma, "Nepalama Chiya Udyoga Ko Itihasa" (History of the tea industry in Nepal), *Gorkhapatra*, Aswin 18, 2032 (October 4, 1975).

5. "Grant of Uncultivated Lands in Dudhkosi-Mechi Region to Commanding General Dhir Shumshere Jung Kunwar Rana Bahadur for Tea Cultivation", Kartik Sudi 1, 1928 (October 1871). *Regmi Research Collection*, (RRC) vol. 55, pp. 179-80.

6. "Reconfirmation of Grant of Uncultivated Lands in Dudhkosi-Mechi Region to Commanding General Dhir Shumsher Jung Kunwar Rana Bahadur for Tea Cultivation", Kartik Sudi 15, 1930 (October 1873), *RRC*, vol. 69, pp. 451-2.

Tarai region, and the other in Baitadi in the far-western hill region. The Udayapur plantation was started in 1878 on a total area of about 8000 muris of land.⁷ It employed 78 coolie families from the adjoining hill regions.⁸ A seven year program for the development of the plantation, covering the period from 1878 to 1885, envisaged a total investment of Rs. 50,000, with an estimated net income of Rs. 40,000 a year from the eighth year.⁹ Production, however, amounted to only between 10 maunds and 20 maunds a year during the early 1880s.¹⁰ Periodic allocations from the state funds for running plantation indicate that it never attained viability and in 1900, it actually incurred a loss of Rs. 1,775.¹¹ Tea produced in Udayapur was supplied to Kathmandu¹² and also exported to Calcutta.¹³

7. "Order to Major Captain Lalit Bam Thapa Chhetri Regarding Udayapur Tea Plantation and other Matters", Shrawan Badi 30, 1943 (July 1886), *RRC*, vol. 51, pp. 765-76.
8. "Order to the Udayapur-Gadhi Regarding Udayapur Tea Plantation", Baisakh Sudi 2, 1943 (April 1886), *RRC*, vol. 56, pp. 205-15.
9. "Order to Major Captain Lalit Bam Thapa Chhetri...", July 1886 (see no. 7 above).
10. "Order to Subba Laxminidhi Mudbhari of the Saptari Mal Regarding Supplies of Cardamom and Tea", Marga Sudi 2, 1939 (November 1882), *RRC*, vol. 82, pp. 525-7; "Order to Lt. Colonel Harilal Pande Regarding Funds for Udayapur Tea Plantation", Ashadh Sudi 5, 1938 (June 1881), *RRC*, vol. 82, pp. 705-7.
11. "Order to the Hanumannagar Mal Regarding Funds for Udayapur Tea Plantation", Marga Badi 11, 1958 (November 1901), *RRC* vol. 87, pp. 314-23.
12. "Order to East No. 3 Jangi Pareth Regarding Supply of Udayapur Tea to Kathmandu", Magh Badi 9, 1947 (January 1891), *RRC*, vol. 50, 715-22.
13. "Order to Lt. Rishiram Rijal of the Udayapur Tea Plantation Regarding Tea Exports to Calcutta", Jestha Sudi 8, 1948 (May 1891), *RRC*, vol. 53, pp. 680-6.

The Baitadi tea plantation, started during the 1880s, appears to have been ill-fated from the very beginning. Instead of employing coolie labor, the government utilized the services of military personnel, Baitadi being an important military headquarters of the far-western hill region. From the military viewpoint, however, tea cultivation was an assignment of low rating, with the result that labor was made available to the plantation only when it could be freed from military duties. Shortage of manpower thus remained a major problem. Official documents describe Baitadi tea "not as good as tea produced elsewhere". Its sole outlet was the western hill town of Almora in India, from where it was purchased by merchants from Kabul and exported to Afghanistan.¹⁴ It seems to have been green tea of the Chinese variety, which was being grown in the adjoining areas of India since the 1840s for export to Afghanistan and Central Asia. If so, the timing of the venture seems to have been unfortunate, for by 1882 the Central Asian market was no longer available.¹⁵ Because of these problems, the condition of the Baitadi tea plantation worsened over the years. There was a progressive decline in production and the high sale price fixed by the government led to the accumulation of stocks. In 1898, therefore, the government decided to close the plantation and allot the lands to individual cultivators for subsistence farming.¹⁶

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14. "Order to Jhulaghat-Baitadi Gaunda Regarding Sale of Tea to Kabul Merchants", Magh Badi 5, 1955 (January 1899), *RRC*, vol. 71, pp. 68-91.
 15. H. G. Walton, *Dehra Dun, A Gazetteer* (Allahabad : Government Press, 1911), pp. 57-59. Walton writes : "The abolition of the duty on Chinese tea in 1882 was a severe blow to the prospects of the Indian leaf and about the same time the Central Asian market was definitely closed : and the tea industry (of Dehradun) now began to decline".
 16. "Order to Jhulaghat-Baitadi Gaunda Regarding Closure of Baitadi Tea Plantation", Aswin Badi 11, 1955 (September 1898, *RRC*, vol. 63 pp. 839-55.

Cotton Plantation in Nuwakot

Cotton was another commercial crop which the Rana government made an attempt to grow on a plantation scale. Traditionally, the crop was grown in the private holdings of peasants, and the role of the state was confined to controlling the cotton trade in the hill region for the sake of revenue. In 1897, a project was started to grow cotton in the state sector and a plantation was accordingly started at Devitar in Nuwakot district¹⁷, but collapsed within a few years.¹⁸ It is significant that the plantation had as many as 90 persons on the pay roll, most of them with supervisory and clerical functions, including 70 peons, but only 10 plowhands.¹⁹

Jute Cultivation

The growth of the jute industry in India after the mid-1860s seems to have added one more item in the list of agricultural commodities exported from the eastern Tarai region, particularly in Morang. British sources have recorded that by the end of the nineteenth century jute was being grown in "small but increasing areas" in that district.²⁰ It is significant that the Rana rulers seem to have made no attempt to control the production and trade of jute in that region. Revenue from jute cultivation was apparently derived solely from the land tax, which seems to have been collected at the rate applicable to rice lands. The Ranas were, however, aware of the revenue

17. "Order to Lt. Colonel Devi Bahadur Sijapati Chhetri Regarding Nuwakot Cotton Plantation", Falgun Sudi 15, 1954 (February 1898), *RRC*, vol. 77, pp 246-9.

18. "Order to Pahad Bandobast Report Phant Regarding Ban on Clearing of Forests in Areas Previously Covered by Nuwakot Cotton Plantation", Poush 17, 1965 (December 31, 1908), *RRC*, vol. 16, p, 624.

19. "Order to Lt. Colonel Devi Bahadur Sijapati Chhetri...", (see no. 18 above).

20. Government of India, *The Imperial Gazetteer of India*, (Oxford : Clarendon Press, 1908), vol. 3, p. 47.

potential of jute and occasionally initiated programs to extend the areas under this crop in other parts of the Tarai region. For example, in early 1895, Bir Shumshere made an attempt to start jute plantations on about 100 *bighas* in each of the four districts of the far-western Tarai region, namely, Banke, Bardiya, Kailali, and Kanchanpur.²¹ A sum of Rs 100 was sanctioned for this purpose for each district. The experience of Banke district illustrates the nature of the difficulties faced in the implementation of the project. Lands of suitable size and location were not available, nor could jute seeds be purchased anywhere in that region. Arrangements were, therefore, made with three local *Chaudharies* to grow jute on a sharecropping basis on the private holdings of peasants. The crop was accordingly sown on a total area of 30 *bighas*. The total yield, excluding the cultivators' share, amounted to about 8 maunds, which was auctioned for Rs. 13-8. Since land tax amounting to Rs. 12-3 was remitted, the total profit earned by the government amounted to Rs 1-5. It should not be wondered at, therefore, that the experiment was not continued in subsequent years.

Concluding Remarks

The Rana experiment with agricultural plantations for the cultivation of such crops as tea, cotton, and jute thus proved a failure. By the end of the nineteenth century, the Ilam and Saktim tea gardens remained the sole survivals of this experiment, although under private *ijara* management rather than under *amanat* management by the state. Such failure was hardly surprising. Plantations have been defined as "large scale, capital-intensive, highly specialized commercial enterprises" employing wage-labor. They were necessarily export-oriented, and "the impulse toward their establishment emanated from the west and in response to western

21. This account is based on "Jute Cultivation in Nepal" *Regmi Research Series*, Year 16, no. 1, January 1984, pp. 1-4.

demands''²² and in India, they were "mainly British-managed and owned."'²³ Nepal, during the second half of the 19th century, was ill-equipped to experiment with such a relatively sophisticated system of agricultural production.



22. Myrdal, *op. cit.*, p. 443.

23. Percival Spear, *A History of India*, vol. 2 (Middlesex : Penguin Books, 1973), p. 154.

CHAPTER VI

Mines

Mining was an important source of revenue in Nepal during the nineteenth century. As noted in Chapter 3, it contributed around 7 percent of the Kingdom's total revenue in 1851 and ranked next after agrarian and commercial tax revenues. Mining was also the biggest source of revenue from the state sector at the time, although its importance declined progressively during the latter part of the nineteenth century. This chapter contains a description of the mining industry, the methods through which the government collected revenue from this source, and the causes of its decline.

Copper, iron, and lead were the chief metals produced in Nepal during the nineteenth century.¹ Copper and iron were produced in quantities large enough to meet the domestic demand and even generate surpluses for export in processed form. Lead was also produced in sizeable quantities, but supplies always fell short of the requirements of government-

1. This description of the mineral resources of the Kingdom is based on Mahesh C. Regmi, *The State and Economic Surplus : Production, Trade and Resource-Mobilization in Early 19th Century Nepal* (Varanasi : Nath Publishing House, 1984), pp. 55-57.

operated munitions factories. A chronic shortage of the metal left the Kingdom dependent on imports from India and made it impossible for the government to exploit the local production as a source of revenue. Some quantities of gold, cinnabar, saltpeter, sulfur and other minerals were also produced, but their contribution to the state exchequer was insignificant. We shall, therefore, omit them from our discussion.

The mining industry was practically confined to the hill region, where small deposits of copper, iron and lead were found almost everywhere. Because the geological structure of the hill region is highly faulted and folded, continuous deposits of minerals are rare. Even then, the bulk of the Kingdom's output of copper, iron and lead was traditionally produced in a few rich belts. For instance, the region between the Chepe/Marsyangdi and Bheri rivers in the western hills, particularly the Parbat-Bagling-Gulmi belt, was the most important copper-producing area. In the east, Khikamachha in Majhkirat was a wellknown copper-producing area. Iron mines were similarly concentrated in the eastern hill region, particularly the Sanga/Sindhu-Nagre (Kabhrepalanchok) belt. The iron mines of Those in Ramechhap district, discovered during the late 1850s, were among the Kingdom's richest.² Lead was found at several places in the hill region with a particularly heavy concentration in the Listi area of Sindhupalchok in the eastern hill region. Toward the closing years of the 19th century, copper and lead were produced in the inner Tarai region as well, albeit on a much smaller scale compared with the hill region. Copper was thus mined in Surkhet³, and lead

2. "Order Regarding Operation of Iron Mines in Those", Magh Sudi 6, 1923 (January 1867), *RRC*, vol. 63, pp. 599-611.

3. "Order Regarding Operation of Copper Mines in Surkhet" Ashadh Badi 30, 1950 (June 1893), *RRC*, vol. 62, pp. 139-42.

in Dang⁴ and Chitwan⁵.

Revenue was an objective of only secondary importance in the mining policy of both the early Rana rulers and their predecessors, for the need to ensure adequate supplies of metal for munitions factories was of greater urgency. In addition, copper and iron were needed for the manufacture of household utensils and agricultural implements in all parts of the hill region.

A brief note on munitions production during the nineteenth century may help to shed light on the nature of the government's demand for copper, iron, and lead.⁶ Munitions production on a systematic basis had started in 1793, soon after the Nepal-China war, when a factory was established in Kathmandu under the supervision of a French technician. Another munitions factory, established in Pyuthan during the early years of the nineteenth century, produced rifles of the Enfield model, which British observers have described as "of fair construction but with rude flint locks"⁷. Jung Bahadur used the newly-discovered iron deposits of Those in eastern hill region for the manufacture of rifles. Initially, local blacksmiths were commissioned to work in their own homes; only in 1875 was a regular factory established for that purpose. Production was suspended in 1888, but revived five years later.

British sources confirm the large scale on which munitions were manufactured in the Kingdom. In 1851, Cavenagh noted

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4. "Order Regarding Exploitation of Lead Deposits in Dang", Ashadh Badi 2, 1950 (June 1893), *RRC*, vol. 74, pp. 110-1.
 5. "Order to Chitwan Mal Regarding Lead Deposits", Kartik Sudi 5, 1959 (October 1902), *RRC*, vol. 87, pp. 724-28.
 6. This note is based on Mahesh C. Regmi, "Munitions Production", in *Readings in Nepali Economic History* (Varanasi : Kishor Vidya Niketan 1979), pp. 37-45.
 7. Orfeur Cavenagh, *Rough Notes on the State of Nepal* (Calcutta : W. Palmer, 1851), p. 17.

that "in case of emergency, the government could supply accoutrements sufficient to equip upwards of 100,000 men".⁸ Sir Richard Temple, who visited Kathmandu a quarter-century later, similarly noted that "in the valley near Kathmandu, there are arsenals and magazines, with ordnance, including siege guns, stores, thousands of stands of arms, small arms and ammunition, and the like"⁹. Temple also noted that "there is a large supply of ordnance of various calibres, also made in Nepal."¹⁰ He found it "remarkable that for all this they depend on indigenous manufactures"¹¹. It goes without saying that the production of munitions on such a scale generated a big demand for metals. Because such production was of vital importance for national security and defence, it is scarcely to be wondered at that the primary objective of mining policy was to ensure the adequate supply of metal for these factories. The government was, consequently, able to use mining as a source of revenue only after meeting the needs of its munitions factories.

Mining as a Source of Revenue

Before discussing the methods through which the government raised revenue through the exploitation of mineral resources, it is necessary to emphasize certain aspects of the organization of the mining industry.¹²

Mines were traditionally the exclusive property of the state, as already noted in Chapter 2. Unlike agricultural lands and forests, they were never granted to individuals although

8. *Loc. cit.*

9. Richard Temple, *Journals Kept in Hyderabad, Kashmir, Sikkim and Nepal* (London : W. H. Allen, 1887), vol. 2, p. 256.

10. *Ibid.*, p. 258.

11. *Ibid.*, p. 256.

12. This note is based on Regmi, *The State and Economic Surplus*, pp. 91-8.

revenue from mines was occasionally included in *jagir* assignments. The absence of private property rights in mineral resources explains several features of the mining industry in nineteenth century Nepal. Firstly, mineral production was closely controlled and regulated by the government. Such control and regulation deterred private investment and enterprise and conversion of mining profits into capital, and limited the economic opportunities available to the local landed elite. Secondly, the pattern of ownership determined the form in which mineral production was organized. Ore was extracted and smelted into metal by people belonging to such low-status castes and communities as Gurung, Magar, Gharti, and Kami, who were collectively known as *agri*. Agris worked on allotments of state-owned mining lands on a production-sharing basis. That is to say, they were allowed to retain half of the metal they produced, while the other half was paid to the government in the form of rent.

As noted previously, copper and iron were produced in excess of the quantities needed for munitions production, whereas lead was chronically in short supply. We shall now discuss how the government raised revenue through the surplus production of those two metals. There were three main ways in which the government succeeded in doing so. In the first place, copper was minted into coins of low denominations, which constituted revenue *per se*. Such coins were minted in different parts of the hill region where the metal was available in adequate quantities¹³, the more important mints being located at Beni, Baglung, and Palpa in western Nepal and Khikamachha in the east. Copper coins were produced for circulation not only within the Kingdom but in the adjoining areas of northern India as well.¹⁴ Revenue from copper mints consisted of profits from conversion of metal into coins on

13. "Regulations for the Bheri-Mahakali Region", Kartik Sudi 8, 1908 (October 1851), Sec. 6, *RRC*, vol. 49, pp. 87-8.

14. At the middle of the nineteenth century, Cavenagh (*op. cit.* p. 77) wrote :...A large quantity of copper is still pro-

government account and fees collected from individuals who brought their copper to the mint for the purpose of such conversion.¹⁵ Secondly, a part of both copper and iron that the government collected as its half-share of the output was sold for meeting the domestic, agricultural, and other needs of the people. Finally, trade in copper was a government monopoly,

cured, and in the shape of rude paisa exported into the British territories, indeed to such an extent, that the districts of Gorakhpore, Champaran, Tirhoot and the parts of Oudh bordering on the Tarai are deluged with these coins, and I question whether the whole of these provinces absorb yearly 100 rupees in copper currency from the Calcutta Mint". A quarter-century later the British Resident in Kathmandu, C. E. R. Girdlestone, reported to his government : "In the trade with Oudh, Bustee, Gorakhpore, and Chumparun, the copper pice, made at Tanseen in the Palpa district of Nepal, play an important part, and almost displace the British pice, or perhaps it would be more correct to say that the British pice have never gained a firm footing on this part of the border...The Nepalese government is quite alive to the advantage which it gains by the preference for its coin in British territory, and makes extensive issues of it in consequence." (From C. E. R. Girdlestone, Esq., C. S., Resident in Nepal, to T. H. Thornton, Esq., D. C. C. Offg. Secy. to the Govt. of India, Foreign Dept.", September 19, 1976, in "Trade Between British India and Nepal", Foreign Department (Revenue A) Consultations, No, 13, National Archives of India, New Delhi, p. 13).

15. A reference to the revenue earned from the Palpa Mint during 1879-80 may be helpful in illustrating how the system actually operated. In that year, the mint earned approximately Rs 1804 by minting 2, 547 dharnis of copper from individuals who were not willing to have it converted into coins on their own account. The total amount paid for this quantity was Rs 575. Coins minted with this metal

so that the government was able to procure the miners' share of the output at a price fixed by it, use a part of the quantity to meet the needs of its mints and munitions factories, and resell the surplus, if any, at a profit.

The administrative problems stemming from such complex operations were compounded by the controls that Kathmandu usually imposed, leaving no role for local revenue functionaries or administrators. The center, however, possessed no administrative agency at the local level to procure metals produced by a large number of *agri* households, transport supplies to mints and munitions factories, operate mints, and manage the monopoly trade in copper. Successive governments tried to solve these problems through recourse to the *ijara* system. A reference had been made to that system in Chapter 3 in the context of the collection of agrarian taxes; its application in the fields of mining reveals its adaptability in different fields of fiscal administration.¹⁶ Although the area under the jurisdiction of *ijaradars* changed from time to time, the bulk of the Kingdom's output of metals was produced under two *ijaras*, one for the eastern hill region from Sanga-Sindhu to the Mechi river in the east,¹⁷ and the other for the Parbat-Baglung-Gulmi-Rukum belt in the west.¹⁸ In circumstances

were worth approximately Rs. 733 after allowing for depreciation, leaving a net profit of Rs. 158. Revenue earned by the Mint from both operations thus totalled Rs. 1962. 'Royal order to Subba Nanda Raj Gurugharana Panditju Regarding Clearance of Amanat Accounts of Palpa Mint', Bhadra Badi 10, 1938 (August 1878), *RRC* (Misc.)

16. Regmi, *The State and Economic Surplus*, pp. 177-80.
17. "Order to Purba Bakyauta Goswara" Baisakh Badi 34, 1942 (April 1885), *RRC*, vol. 52, pp. 182-90.
18. "Ijara Grant to Subba Ram Prasad Thakali for Mines in Western Nepal", Baisakh Sudi 15, 1942 (May 1885), *RRC*, vol. 52, pp. 207-28.

where *ijaradars* were not available to take up the management of mines, the government had no alternative but to assume the responsibility itself under the *amanat* system. However, *amanat* management was avoided as far as possible because of high administrative expenses and the uncertainty of revenue.

The main function of the *ijaradar* was to collect the government's share of the output of metals from *agri* households in the areas placed under his jurisdiction. Occasionally, the *ijaradar* also acted as an agent for the procurement of the metal that *agri* households retained as their share. The *ijaradar*, moreover, managed the government monopoly of trade in copper, as well as mints where the metal was converted into coins. He collected agrarian taxes and administered justice in the mining villages. In consideration of those rights and privileges, the *ijaradar* paid a stipulated sum of money to the government, and/or a stipulated quantity of metal.¹⁹ Often *ijara* payments were stipulated wholly in cash in the first instance, leaving the government free to receive them in the form of metals at stipulated conversion rates if and when needed.²⁰ The present study is restricted to the fiscal system; payments made by *ijaradars* in the form of metals lie outside its scope.

The *ijara* system suffered from a number of serious shortcomings. The majority of *ijaradars* were mere speculators; there is no evidence that they possessed managerial or technical skills needed for efficient management. Moreover, their tenure was usually short, seldom exceeding three to five years at a time. Such short-term tenures inevitably deterred long-term planning and capital investments. The following obser-

19. Regmi, *The State and Economic Surplus*, pp. 177-80.

20. "Order to Dittha Bhaktadhvaj Khatri Chhetry Regarding Operation of Mines and Mints in Eastern Nepal", *Ashadh Sudi 5*, 1958 (June 1901), *RRC*, vol. 91, pp. 823-31, and *Jestha Sudi 15*, 1959 (June 1902), *RRC*, vol. 87, pp. 134-40.

vations contained in a British official report of 1874 on the future of the mining industry in the hill region of Kumaun in India would appear to portray an accurate picture of the industry in the hill regions of Nepal as well.²¹

(The contractor)...at the least possible expenditure, tries to make the greatest possible profit. These contractors know nothing about the science of mining, and they have no money to expend in penetrating beyond the worked-out galleries. In fact, the mines have collapsed, and without considerable outlay no reasonable profit can be expected... I expect nothing more from native petty contractors than a pittance which they can realize by the resident miners working when convenient to themselves, when they give half of the ore to the contractors and keep the other half.

But notwithstanding its obvious shortcomings the *ijara* system enabled the pre-Rana rulers to meet the growing demand of their mints and munitions factories, sustain a thriving metal goods industry in several parts of the hill region, and also raise revenue in money.

Rana Policies

The Rana rulers introduced practically no basic change in the system. As before, *ijara* management remained the norm, to be replaced by *amanat* arrangements whenever suitable *ijara* offers were not received. The latter part of the nineteenth century, however, witnessed a number of new problems in the field of mining which severely taxed the administrative ingenuity of the Ranas. The most important of those problems stemmed from poor technology. In general, the exploitation of mineral deposits was a small-scale, localized enterprise. Deposits were discovered accidentally, worked by primitive methods, and abandoned when good surface deposits were

21. Edwin T. Atkinson, *The Himalayan Districts of the North-Western Provinces of India* (Allahabad : North-Western Provinces and Oudh Government Press, 1882), vol. 1, p. 276.

exhausted. Indeed, contemporary British accounts show that the Kingdom lacked the technology to dig ore at deep levels. As Cavenagh has recorded :²²

The Gorkha miners do not in general sink a shaft from which the gallery diverges, but in the first instance run the gallery or in some cases an open trench, from the surface at an angle of about 45 degrees, and when this is carried to such a depth that it fills with water, having no means of keeping it clear, the mine is deserted.

There is evidence that mines were abandoned on an extensive scale in all parts of the hill region, and that the scale of new discoveries was inadequate to compensate the loss. Production declined as a result. By the 1860s, the government had started importing sheet copper and pig iron from India to meet the needs of its mints and munitions factories.²³

The Rana response to this adverse trend was characteristic of the revenue-oriented nature of their economic policy. When any mine was exhausted, they simply commuted metal rents into money. In the iron mines of Chautara in Sindhupalchok, for instance, each *agri* household was traditionally under the obligation of supplying 20 *dharnis* of iron every year to the government. However, those households who did not produce any metal were now allowed to discharge the obligation on payment of five rupees each.²⁴ In the western hill region, particularly Gulmi and Baglung, the commuted value of payments due from *agri* households ranged between 25 *paisa* and

22. Cavenagh, *op. cit.*, p. 77.

23. "Order to Jangi Megjin Regarding Minting of Copper Coins" Jetha Badi 3, 1923 (May 1866), *RRC*, vol. 57, pp. 560-63, "Order to Sahu Harsha Narayan and Others Regarding Imports of Metals", Poush Badi 9, 1926 (December 1869), in K. K. Adhikari, *Nepal Under Jung Bahadur 1846-1877* (Kathmandu : "Buku", 1984), vol. 1, pp. 199-200.

24. "Order to Thekdar of Chautara Iron Mines", Falgun Sudi 15, 1949 (February 1893), *RRC*, vol. 57, pp. 329-41.

three rupees each.²⁵ The economic activity on which the fiscal obligations of such households were based thus came to an end, but not the obligations themselves.

Commutation of metal payments into money helped the Ranas to salvage whatever revenue they could from a progressively deteriorating resource-base, but seems to have had little impact on traditional administrative policies. In other words, the Ranas continued to depend on the time-honored systems of *ijara* and *amanat* for the management of mines, albeit with the usual preference for the *ijara* system.

The Rana government faced a dilemma insofar as its policy regarding management of mines was concerned, for both *ijara* and *amanat* management gave rise to vexatious administrative problems. *Amanat* management entailed high overhead expenses, often resulting in losses. In the eastern hill region, for instance, such expenses under *amanat* management in 1898 amounted to Rs 13,007, whereas receipts totalled no more than Rs 6,983, thus resulting in a net loss of Rs 6,024.²⁶ As regards *ijara*, fiscal regulations enjoined on the administration not to sanction any new *ijara* if it would reduce the current volume of revenue. On the other hand, prospective *ijaradars* were reluctant to assume obligations at a level that was not warranted by the quantity of metals they expected to be able to extract from the concerned areas. As Cavenagh noted in 1851:²⁷

The portion of the profits demanded by the government is so great and.....the expense of working mines so heavy, that few speculators will come forward to undertake the contract.

25. "Miscellaneous Notes on the Mining Industry", *Regmi Research Series*, year 10, no. 5, May 1, 1978, pp. 65-6.

26. "Order to Dittha Bhaktadhwaj Khatri Chhetri Regarding Operation of Mines in Eastern Nepal", Aswin Badi 9, 1957 (September 1900), *RRC*, vol. 70, pp. 451-65.

27. Cavenagh, *op. cit.*, p.76.

Competition among prospective *ijaradars* was, of course, by no means absent, but operated at progressively lower levels of revenue over the years. The government therefore seems to have considered itself lucky if it was able to conclude new *ijara* arrangements stipulating payments slightly above the amounts it had been able to collect under *amanat* management. In 1900, for instance, mines in the eastern hill region were restored to *ijara* management after an *amanat* interlude against a total payment of Rs 12,421 a year²⁸ against as much as Rs 28,001 in 1851.²⁹ In other words, revenue from mines in the eastern hill region declined by 56.7 per cent during the period of half a century.

In the western hill region, on the other hand, the Ranas appear to have been unable to continue *ijara* arrangements, so that the management of mines remained under the *amanat* system. A multi-layered administrative machinery, consisting of a local administrative office and trade depots at Baglung, Beni, and Tansen, was then established.³⁰ These offices, however, proved unable to justify their existence. In 1900, they had a total turnover of Rs 166,098 and expenses totalling Rs 164,231, thus leaving a meager profit of Rs. 1867.³¹ Prime Minister Bir Shumshere responded to this situation by closing down the copper mines of Beni, Baglung, and Tansen and retaining only the local depots for handling the monopoly

28. "Order to Dittha Bhaktadhwaj Khatri Chhetri Regarding Operation of Mines in Eastern Nepal", 1900 (see n. 26 above).

29. "Revenue and Expenditure of the Government of Nepal", 1908 (1851), *RRC*, (Misc.)

30. "Order to the Baglung Khani Hatti Taksar Goswara", Ashadh Badi 10, 1957 (June 1900), *RRC*, vol. 70, pp. 229-41; "Order to the Paschim Baikhani Goswara Adda", Bhadra Sudi 3, 1957 (June 1900), *Ibid.* pp. 245-47.

31. "Order to Palpa Jilla Tahabil", Falgun Badi 5, 1958 (February 1902), *RRC*, vol. 87 pp. 579-84.

trade in copper.³² *Amanat* management of mines thus ended in a fiasco almost throughout the Kingdom.

Meanwhile, the early Rana rulers continued the traditional practice of granting *ijaras* to prospectors for the exploitation of any deposits they were able to discover. Such small-scale *ijaras* were eminently suited for the exploitation of deposits in isolated or remote areas which were unlikely to attract the interest of big entrepreneurs or prove feasible for *amanat* management. They were invariably modelled after the traditional pattern: The *ijaradar* was granted authority to collect the states's share of the ore dug by miners, in addition to customary homestead taxes and levies, and also to appropriate income from fines and penalties in the course of the administration of justice. Such *ijaras* were usually granted for short terms ranging between one year and three years, thereby facilitating upward revisions in the stipulated amount of revenue or quantity of metal when they were renewed.³³

The Impact

Irrespective of whether mines were managed under the *ijara* or the *amanat* system, producers remained subject to force and extortion. Both *ijaradars* and *amanat* officials tried to maximize collections and minimize their own obligations by appointing *ijaradars* or sub-*ijaradars* at the local level and

32. "Order to the Paschim Bais-Khani Adda", Kartik Sudi 13, 1957 (October 1900), *RRC*, vol. 70, pp. 532-37; "Order to the Khani Goswara", Falgun Sudi 13, 1958 (February 1902), *RRC*, vol. 87, pp. 594-600.

33. "Ijara Grant for Management of Copper Mines in Surkhet" Ashadh Badi 30, 1950 (June 1893), *RRC*, vol. 62, pp. 139-42; "Ijara Grants for Management of Mines at Agra and Other Areas", Magh Badi 1, 1957 (January 1901), *RRC*, vol. 82, pp. 327-41. "Ijara Grant for Management of Copper Mines in Godawari", Poush Sudi 2, 1958 (December 1901), *RRC*, vol. 17, pp. 492-502.

resorting to force and extortion.³⁴ In 1884, for instance, Subba Nandaraj Gurugharana Pandit, *Amanat* administrator of mines in the western hill region, sent his men to Baglung to find out why the production of copper was going down. What happened subsequently is best told in the words of Mukhiya Gangaram Gharti Chhetri of Bahungaun village :³⁵

The area where these mines are located, and also where we live, is situated in a Himalayan region, hence no work can be done in the mines during the winter. From July too, no work is possible because of the rains. Accordingly, we can work in the mines only during the four months from March to June. However, in some years no ore is located, so that we can hardly produce 10 *dharnis* of copper after working for four months. This year, Subba Nandaraj Gurugharana Pandit's man, Prabhu Narayan Thakali, visited this area, and compelled us to accept an undertaking to supply 55 *dharnis* of copper every year in spite of our protestations. Because we were not able to produce that quantity of copper, our oven and household utensils were seized.

The miners' troubles did not end when the *amanat* arrangements were terminated in early 1885, and Subba Ram Prasad Thakali was appointed *ijaradar*.³⁶ He granted a sub-*ijara* for these three mines, as well as for two or three others, to two local persons, Krishna Dhoj Malla and Sarbajit Chand. Again in the words of Mukhiya Gangaram Gharti Chhetri:³⁷

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34. "Order to Commanding General Khadga Shumshere Jung Rana Bahadur Regarding Complaint of Moti Prasad Thakali and Other", Baisakh Badi 14, 1954 (April 1897), *RRC*, vol. 57, pp. 376-81.
35. "Order to Subba Ram Prasad Thakali", Chaitra Sudi 1, 1942 (March 1886), *RRC*, vol. 54, pp. 45-51.
36. "Ijara Grant to Subba Ram Prasad Thakali for Mines in Western Nepal", 1885 (see n. 18 above).
37. "Order to Subba Ram Prasad Thakali", 1886 (see n. 35 above).

Krishna Dhoj Malea and Sarbajit Chand came to us and demanded that we undertake to double the quantity of 55 *dharnis* of copper yearly that we had previously been forced to stipulate. When we refused to do so, they put us in fetters and shackles, and tortured and insulted us.

Unfavorable procurement prices added to the miners' troubles. We have noted previously that *agris* were allowed to retain half of the output as their share and deliver the balance to the government directly or through *ijaradars* at official prices. There is evidence to believe that these prices were usually much below current market prices. Unremunerative procurement prices produced several important consequences. In the first place, heavy arrears of payment accumulated. Secondly, miners drifted to other occupation, so that output further declined. Finally, they sold their output through illicit channels, thereby undermining the monopoly and reducing the amount of revenue collected by the government from that source. For instance, in the Nuwakot-Majhkirat region the official procurement prices, under the *amanat* system, amounted to 8 *dharnis* of iron a rupee, and two rupees a *dharni* of copper, during the 1880s. By 1886, arrears of supply had accumulated to nearly 5,700 *dharnis* of both iron and copper. Even more significant is the official report that "several *agris* have absconded, while several others are destitute, and not a single *dharni* of iron can be collected from any household." The government thereupon decreed that payments be collected in money rather than in metals,³⁸ but it seems doubtful that the arrears were ever cleared. Similarly, in the western hill region, the procurement price of copper had been fixed at Rs 2-4 1/2 per *dharni*. Obviously because it was lower than the current prices, large quantities were smuggled to

38. "Order to Lt. Raghbir Shrestha of the Majhkhand Khanī Goswara", Ashadh Sudi 1, 1943 (June 1886) *RRC*, vol. 53 pp. 133-42.

Pokhara and other towns east of the Kali-Gandaki river, where prices were higher. Smuggling was difficult during the monsoon, when the river was flooded. Moreover, ferrymen were under strict orders not to provide transport services for the contraband metal. In winter, however, the river could be crossed easily through dry flats at several points, hence military patrols were posted there to check smuggling.³⁹ Even then, smuggling was conducted on such a scale that the *amanat* officials who operated the monopoly ran short of fetters to confine the smugglers.⁴⁰

Rana Innovations

Even while basing their mining policy within the ambit of the traditional *ijara-amanat* framework, the early Rana rulers introduced a number of innovations from time to time with the objective of increasing the output of metals or the amount of revenue. Such innovations were both administrative and technological. Although they had little long-term impact, a brief reference to these innovations will help us to understand the nature of Rana policy in this field in proper perspective.

The use of the army to operate mines was one of the earliest Rana innovations. In 1853, Jung Bahadur employed the men of the Naya Gorakh Nath and Simhanath Battalions to work newly-discovered copper and lead deposits at Atharasayakhola and Taruka in Dhading, Beni in Parbat, and Baglung. Their operations yielded copper and lead worth Rs. 34,238 during the first year.⁴¹ However, these were soon

39. "Order to Major General Bhupendra Jung Rana Bahadur" Marga Sudi 7, 1938 (November 1871), *RRC*, vol. 82, pp. 730-3.

40. "Order to Naib Subba Nand Raj Gurugharana Panditju", Jestha Sudi 4, 1930 (May 1873), *RRC*, vol. 82, pp. 608-9.

41. "Revenue and Expenditure of the Government of Nepal" 1910 (1853), *RRC* (Misc.), pp. 10 and 35; "Order to Lt. Ambar Bahadur Bhandari", Jestha Badi 14, 1912 (May 1855), *RRC*, vol. 56, pp. 372-74.

discontinued, presumably because of military preoccupations connected with the Nepal-Tibet war.

Bir Shumshere even took recourse to coercive measures for operating mines under the *amanat* system in the western hill region during the 1890s. *Agris* were forced to work in copper mines for three months in the year on a compulsory basis, and fined 16 paisa a day for absence. Regulations promulgated in 1895 prescribed that defaulters even be put in fetters and forced to work.⁴² Such coercive measures may have made it possible for the government to keep existing mines running, but it is doubtful that they helped to maximize output.

Bir Shumshere also toyed with a number of innovations combining specific features of both the *ijara* and *amanat* systems. For instance, in early 1886 he commissioned one Buddhiman Khatri Chhetri, an officer in the army, to work lead mines in the Jannu area of western Nepal. Buddhiman was granted authority to employ the local people to work in the mines without wages, while the government agreed to pay him a stipulated amount to meet his administrative expenses. In addition, it agreed to purchase a stipulated quantity of metal at a stipulated price, thereby minimizing his risks and enabling him to concentrate his energies and resources on maximizing output.⁴³ Similarly, in 1900, copper and lead mines in Dang, Salyan, Pyuthan and other areas east of the Bheri river were placed under the authority of one Jamadar Ujir Bahadur Hamal on the condition that he would be paid a remuneration of Rs. 1,280 a year if he was able to produce 252 *dharnis* of copper and 734 *dharnis* of lead worth Rs. 1,920

42. "Register of Mining Areas in the Baikhani Region", 1952 (1895), *RRC* (Misc).

43. "Order to Hawaldar Budhi Man Karki Chhetri Regarding Operation of Lead Mines", Magh Badi 11, 1942 (January 1886), *RRC*, vol. 52 , pp. 569-77.

at the official conversion rates. If production was lower, he was allowed to retain two-thirds of the income and transmit the balance to the government.⁴⁴ The isolated nature of these innovations, however, suggests that they were not feasible for widespread application.

The early Rana rulers also took advantage of the occasional use of the *amanat* system to introduce a number of technological innovations in the field of mining. In 1883, for instance, Prime Minister Ranoddip Simha decided to experiment with the use of coal, rather than the traditional wood and charcoal, to produce pig iron. Because coal was not mined in Nepal, an official team was sent to Ranigunj and Calcutta in 1883 to explore the feasibility of importing Indian coal for that purpose.⁴⁵ Apparently, its findings were not favorable, for there is no evidence that Indian coal was actually used for the production of iron in Nepal during the nineteenth century. Ranoddip Simha also appears to have sanctioned the use of improved technology for smelting lead ore. The traditional method led to the emission of much smoke, with the result that "miners inhale the lead fumes and fall ill for three days after every two days of work", according to an official report of 1882. Imported equipment was, therefore, used to smelt the ore.⁴⁶ Even then, lead mines in several parts of the Kingdom seem to have been abandoned during the closing years of the nineteenth century.

A Dwindling Source


To sum up, the importance of mining as a source of revenue progressively declined during the latter part of the nineteenth

44. "Order Regarding Exploitation of Mineral Deposits in Dang, Salyan, Pyuthan, and Other Areas", *Marga Badi* 13, 1957 (November 1900), *RRC*, vol. 70, pp. 683-94.

45. "Order to Captain Krishna Man Karki Chhetri Regarding Procurement of Coal from India", *Falgun Sudi* 6, 1939 (February 1883), *RRC*, vol. 82, pp. 546-53.

46. "Lead Mining in the Eastern Hills", *Regmi Research Series*, year 12, no. 6, June 1, 1980, pp. 82-2.

century. The gradual exhaustion of surface deposits, the inequities of the *ijara* system, and failure to devise a viable alternative system of organization of production and trade were the main factors responsible for that trend. Although statistics are not available, there seems little doubt that at the end of the 19th century mining contributed less than one-fourth of the revenue it had yielded at the time of the commencement of Rana rule. The primacy of mining as a source of revenue in the state sector was outstripped by forests during the 1860s and never regained.



CHAPTER VII

Forests

If mining was confined to the hill region, transport facilities and proximity to the Indian market made the commercial exploitation of forests viable only in the Tarai. Unlike mining, however, forests remained an expanding source of revenue throughout the nineteenth century. The nature and extent of the Kingdom's forest resources, the methods followed for the extraction and export of timber and other forest products, and their impact on revenue from that source, will form the subject-matter of this chapter.

It must be made clear from the outset that the state's right to exploit the forest resources of the Kingdom was subject to one important constraint. Nepali law and tradition has always recognized forests as a form of state or communal property. However, private property rights were often created in these resources through *birta* or other tax-free grants to individuals. Large tracts of forest lands were accordingly owned by individuals under *birta* tenure in both the hill region and the Tarai. Income from these forests belonged to the *birta* owners, rather than to the government. In 1854, the Rana government assumed the right to take over timber extracted from *birta* forests in the Tarai region against payments at current

prices.¹ This arrangement, in effect, meant that the government exported timber on behalf of *birta* owners and handed over the proceeds to them. *Birta* owners were thus able to get an income from their forests without bearing the costs and risks of handling exports, so the arrangement may have been more a facility than a restriction. After the late 1880s, *birta* owners were allowed to export their timber on the condition that half of the profit was paid to the government,² thereby widening the government's own resource-base.

Nature and Extent of Forest Resources

The nature of vegetation in any country depends on such factors as topography and climate. Inasmuch as the Kingdom of Nepal encompasses a range of topography and climate seldom paralleled in any country of the world, ascending from the Tarai plains in the south to the Himalayan mountains in the north, it is hardly surprising that its forest resources

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1. The 1854 Legal Code permitted *birta* owners to sell timber from their *birta* forests. "Rukh Katnya" (Law on cutting of trees) in Ministry of Law and Justice, His Majesty's Government, *Shri 5 Surendrabikrama Shahdevaka Shashana Kalama Baneko Muluki Ain* (Legal Code enacted during the reign of King Surendra Bikram Shah Dev), (Kathmandu : the Ministry, 2022 (1965), p. 157), but they could make such sales only to the local *Kathmahal* at official prices. ("Regulations for Amanat Management of Kathmahals in Eastern Tarai Districts", *Marga Badi* 6, 1918 (November 1861), sec. 10, *RRC*, vol. 10. p. 257.
 2. "Order to Captain Dilliman Singh Basnyat of the Bhanwar-pura Kathmahal in Mahottari District Regarding Export of Timber from Birta Forests of Shri 5 Rani Saheb, "Baisakh Badi 11, 1943 (April 1886), *RRC*, vol. 77, pp. 488-98; "Order Regarding Timber Exports from Birta Forests of Lt. Colonel Dilli Shumshere Thapa Chhetri in Bhalabhaleni, Morang", *Magh Sudi* 14, 1958 (January 1902), *RRC*, vol. 88, pp. 645-51.

should be characterized by a remarkable diversity. Their extent and quality were no less remarkable. According to an early twentieth-century British source :³

(Nepal's) forests form the most important part of the great Himalayan timber belt stretching from the Indus to Sikkim. The length of this belt is not less than one thousand miles, of which at least five hundred are in the territory of Nepal. Not only are these Nepalese forests important on account of their extent, but it is within the eastern and western limits of that Kingdom that conditions of climate and rainfall are most favourable to the vigorous growth of forest vegetation—and these favourable conditions are reflected in the very high reputation the Nepal forests enjoy for the size and quality of their timber.

These forest resources are usually classified on the basis of three main altitude zones : The tropical zone in the Tarai and inner Tarai regions up to about 4,000 feet above the sea level, the temperate zone in the hill region from 4,000 feet to 10,000 feet, and the alpine zone in the main Himalayan mountains from 10,000 feet to the limit of vegetation at about 16,000 feet. From the viewpoint of revenue, however, only the forests of the tropical zone were of real importance,⁴ for these were easily accessible from the markets of northern India. Consequently, even timber, a bulky commodity, could be transported from the forests of the tropical zone to destinations in India by cart-track and riverway. In contrast, no such facilities were available for exploiting the forest resources of the hill and Himalayan regions.⁵ Commercial exploitation of the

3. J. V. Collier, "Forestry in Nepal", in Perceval Landon, *Nepal* (reprint of 1928 ed.; Kathmandu : Ratna Pustak Bhandar, 1978), vol. 2. p. 251.

4. *Ibid.*

5. Francis Buchanan Hamilton, *An Account of the Kingdom of Nepal* (reprint of 1819 ed.; New Delhi : Manjusri Publishing House. 1971), pp. 83-4.

forest resources of these two zones was limited to such forest products of small bulk and relatively high value as wax and medicinal herbs.

The growth of agriculture in the Tarai region since the early nineteenth century, particularly after the 1814-16 Nepal-Britain war, was largely at the expense of forests. But since the pattern of such growth varied in different parts of the region, the extent of the forest cover naturally varied in the same proportion. Descriptions of the extent of the forest cover cannot, of course, be found from year to year, but a brief survey of information available on the subject will help to illuminate the objectives of Rana policies and programs in the exploitation of the Tarai's forest resources.

The easternmost portion of the Tarai region, situated east of the Kosi river and west of the Mechi river, known as Morang, was then mostly under forest. As Henry A. Oldfield, Surgeon at the British Residency in Kathmandu from 1850 to 1863, has noted :⁶

Strictly speaking there is no open Tarai in the Morang—the open land to the south of the forest, and which has now an average width of five miles, originally having formed part of the forest itself, and having been gradually brought under cultivation by steady and constant efforts at clearing and reclaiming the jungles.

The situation does not appear to have changed much in subsequent years, for in 1876 the British Resident, C. E. R. Girdlestone, noted :

Across the Kosi the jungle of Morang, which is very dense and unhealthy, comes comparatively close to the British district of Purneah, leaving but a narrow belt for cultivation.⁷

6. H. Ambrose Oldfield, *Sketches from Nipal* (reprint of 1880 ed.; Delhi: Cosmo Publication, 1974), p. 59.

7. "From C.E.R. Girdlestone Esq., C.S., Resident in Nepal, to T. H. Thornton, Esq., D.C. L., Offg. Secy to the Govt. of

The reason why the Morang region long remained largely under forest can be easily explained, for it was "the most malarious and unhealthy district in the whole Tarai."⁸

The central Tarai region, situated west of the Kosi and east of the Narayani, comprised the districts of Saptari, Mahottari, Rautahat, Bara, and Parsa. In these districts, "the forest has been cleared away, in places nearly to the hills."⁹ Because the region lies along the traditional routes linking Kathmandu Valley with India, it suffered the greatest impact of land reclamation and settlement policies followed since the late eighteenth century. For the same reason, most of the *birta* land grants to members of Kathmandu's elites were located in that region, and this constituted yet another factor contributing to the destruction of its forest resources.

The condition of the western Tarai, situated between the Narayani and Arra rivers, was more or less similar. According to Oldfield :¹⁰

The Sal forest clothes the southern face and foot of the hills; but beyond it and to south of it the country is comparatively open and swampy, and is covered by extensive plains of long grass and occasional large patches of cultivation...For some miles on each side of the Gandaki river after it enters the plains the country is open and mostly covered with grass; its level is low, but there is no conti-

India, Foreign Dept.", September 19, 1976, in "Trade between British India and Nepal", Foreign Department (Revenue A) Consultations, No. 13, National Archives of India, New Delhi : cited hereinafter as "Girdlestone Report," p. 1.

8. Oldfield, *op. cit.*, p. 62.

9. "Girdlestone Report", p. 1; Oldfield, (*op. cit.*, p. 60) recorded in 1851 that "with the exception of occasional patches, -- the whole Tarai west of the Kosi is cleared of jungle."

10. Oldfield, *op. cit.*, pp. 39-40.

nuous forest either upon or below the hills. Patches of even Sal forest and bamboo jungle do not appear for several miles either to the east or west.

The far-western Tarai region, which came under Nepal's control in 1858, was largely under forest throughout the nineteenth century. In 1876, Girdlestone noted that the region "contains large tracts of forest and grazing ground, but agriculture is far from general owing to the prevalence of malaria in the rains"¹¹ The four districts of this region, namely, Banke, Bardiya, Kailali, and Kanchanpur, comprise a total surface area of 2,843 square miles,¹² but in 1858, the total cultivated area which had been recorded in the tax assessment register amounted to a mere 228,593 *bi*ghas.¹³ Since the local *bi*gha encompassed an area of 1,350 square yards,¹⁴ this means that the cultivated area totalled less than 80 square miles in the entire region. Settlements, tracks, rivers and streams, etc. accounted for a part of the rest, but the major portion was covered by forests.

Although the inner Tarai region was also largely under forest during the nineteenth century, only the forests of Udayapur in the east, Chitwan and Nawalpur in the central region, and Deukhuri in the west, were exploited on a commercial basis. Such selective exploitation may be attributed to the availability of river navigation facilities. Udayapur has an outlet to the south through the Trijuga river. The Chitwan-Nawalpur area lies near the Tribeni river, a tributary of the Gandak or Narayani, through which timber was floated down in boats or rafts to destinations in India as far as Calcutta

11. "Girdlestone Report", *op. cit.*, p. 1.

12. Government of Nepal, *Nepala Ko Janaganana* (Population Census of Nepal), Kathmandu : Department of Statistics, 2014 (1957), Table 1, p. 9.

13. "The Naya Muluk" *Regmi Research Series*, year 13, no. 2, February 1, 1981, pp. 23-24.

14. *Loc. cit.*

since at least the early years of the nineteenth century.¹⁵ Deukhuri is similarly served by the Rapti river, but its forests were opened up for commercial exploitation only during the early 1880s, when the river was widened to facilitate the transportation of timber.¹⁶

Commercial Forest Products

The forests of the Tarai region yielded revenue mainly through the export of timber to India. Indeed, timber came next in the list of the Kingdom's exports to India after food-grains and other agricultural commodities. The Tarai forests contained several varieties of timber which were in much demand in India and so were of considerable commercial value. These forests may be divided into three main categories. The main riverbeds and islands in the southernmost strip adjoining India contain what has been described as new riverine forests, which hold together the gravel, boulders, and sand brought down by the rivers. These forests consist mostly of *Khair* (*Acacia catechu*) and *sisso* (*Dalbergia sisso*). Catechu timber was prized mainly because catechu (*Terra japonica*) was extracted from it for use as a dye and as a condiment with betel. The timber was also valuable because it was "admirably suited for crushers for oil and sugarcane mills", and was "largely used for axles, pestles, pins, ploughshares, cotton-rollers, wheels, bows, spear handles, and the like."¹⁷

15. "Timber Export Regulations, 1811", in Mahesh C. Regmi, *A Study in Nepali Economic History, 1768-1846*, (New Delhi: Manjusri Publishing House, 1978), pp. 217-18.
16. "Order to the Sadar Dafdarkhana Regarding Promotion of Chief Colonel Lok Bahadur Thapa Chhetri", Shrawan Sudi 6, 1940 (July 1883), *Regmi Research Collection (RRC)*, vol. 85, pp. 465-68.
17. Edwin T. Atkinson, *The Himalayan Districts of the North-West Provinces of India*, (Allahabad: North-Western Provinces and Oudh Government Press, 1882), vol. 1, p. 815.

Sissoo", a first class wood in the (Indian) forest tariff, was "useful for all work requiring strength and elasticity, and is much employed for furniture-making, house building, boat-building, carts, beds, saddle-frames, and agricultural implements."¹⁸

North of these forests, where the soil was not subject to flooding, were the old riverine forests, comprising mainly *toon* (*Cedrela toona*) and *asna* (*Terminalia tomentosa*). *Toon*, a first class timber in the Indian forest tariff, is "close-grained, hard, capable of taking a high polish like mahogany, and when properly seasoned is deservedly known as a first class furniture wood."¹⁹ *Asna* or *saj*, a "dark-brown, tough, strong, elastic, and very durable timber", was used "for indoor household work, carriage shafts, agricultural implements, rice-pestles and boat-building"²⁰ A late nineteenth-century British source describes *asna* as "one of the best of the second-class woods now coming into general use."²¹

Although the different varieties of timber found in the riverine forests of the southern Tarai, as described above, were of considerable commercial value, pride of place belonged to *sal* (*Shorea robusta*). *Sal* forests were located north of the old riverine forests, as the land starts to rise, as well as up the Churia hills. *Sal* has been rightly described as "the most valuable and most sought after of all the timber trees of the submontane forests", which "from time immemorial has been exported to the plains."²² It was "the most extensively employed of all timbers in Northern India", and was "in constant request for piles, beams, planking and railing of bridges; for beams, door and window posts of house; for gun-carriages; the body of carts, and above all, for railway

18. *Ibid.*, pp. 814-15

19. *Ibid.*, p. 814

20. *Ibid.*, p. 816

21. *Loc. cit.*

22. *Ibid.*, pp. 813-14.

sleepers.²³ A part of this demand for sal timber was met from forests in Indian Himalayas, but, according to British sources, those found in the Tarai region of Nepal were much richer. In his account to the Himalayan districts of the North-West provinces of India in 1882, for instance, Edwin T. Atkinson writes:²⁴

The Sal grows, as a rule, to a height of 60 to 90 feet with clear stems 30-40 feet long and 6-8 feet in girth. Further east under Nepal it attains much larger proportions and measurements are recorded of trees 100-150 feet in height and 20-25 in girth.

In addition to timber, forests in the Tarai region yielded such industrial raw materials as medicinal herbs, wax, catechu, lac and sabai grass, which had a large and expanding market in India. Catechu was extracted from the wood of the *khair* (*Acacia catechu*) tree and was used for medicinal purposes as an astringent and tonic²⁵, taken as a condiment with betel²⁶, and as a dye for coloring sails and fishing nets.²⁷ Lac, a resinous substance produced from the female of the *Coccus lacca*, an insect which is found in the twigs and branches of the *pipal* (*Ficus religiosa*), *bar* (*Ficus indica*) and other trees, was mainly used for varnishing as well as for the production of lacquer goods.²⁸ Sabai grass (*Ichhamum augustolium*) was traditionally used for the manufacture of rope. During the later years of the nineteenth century, it was in considerable demand for use as a raw material in India's newly established paper mills.²⁹

23. Sir George Watt, *The Commercial Products of India* (reprint; New Delhi: Today and Tomorrow's Printers and Publishers, 1966), p. 991.

24. Atkinson, *op. cit.*, p. 813

25. *Ibid.*, p. 725

26. *Ibid.*, p. 769.

27. *Ibid.*, p. 775.

28. *Ibid.*, pp. 788-90.

29. Watt, *op. cit.*, p. 695

Until the middle of the nineteenth century, the export of wild elephants captured in the forests of the Tarai and inner Tarai regions was an important source of revenue. In 1851, Cavenagh³⁰ estimated that nearly 200 elephants were captured and exported, yielding a net income of about Rs. 50,000. However, the source seems to have dried up progressively in subsequent years. The reason, according to Oldfield,³¹ was that "elephants are fast disappearing from the Tarai to the west of the Koshi, and even in Morung the numbers are much less than they were formerly".³² Elephants were sold whenever possible,³³ but by the third quarter of the century the government's own requirements of elephants seems to have outstripped considerations of revenue. As Girdlestone noted in 1876—"practically no valuable elephant is allowed to leave Nepal."³⁴

The forests of the Tarai and inner Tarai region yielded revenue through their pasturage facilities as well. These facilities were used by graziers from the adjoining areas of India in large numbers. According to Oldfield, "The whole Tarai west of the Kosi... swarms with cattle which are brought there to graze."³⁵ Cavenagh similarly noted that "large herds annually enter the Tarai from the British provinces" for grazing.³⁶ A tax, known as *kascharai*, was collected on each herd of cattle brought for grazing. In 1851, the *kascharai* tax-revenue in the Morang-region alone amounted to Rs. 14,000.³⁷

30. Orfeur Cavenagh, *Rough Notes on the State of Nepal*, (Calcutta: W. Palmer and Co., 1851), p. 72

31. Oldfield, *op. cit.*, p. 62

32. *Ibid.*, p. 148.

33. "Order to Mir Subba Ratnaman Singh Rajbhandari Regarding Sale of Elephants", *Marga Badi* 14, 1912 (November, 1855), *RRC*, vol. 56, p. 588.

34. "Girdlestone Report", *op. cit.*, p. 12.

35. Oldfield, *op. cit.* p. 60

36. Cavenagh, *op. cit.*, p. 71

37. "Revenue and Expenditure of the Government of Nepal", 1908 (1851), *RRC*, (Misc.). The tax yielded a revenue

The use of these pasturage facilities generated yet another source of revenue. Because "casualties are numerous" among the cattle grazed in these forests, "a flourishing trade is carried on in hides by speculators, residing on the borders, who forward them by water to the Calcutta market."³⁸ Horns and bone were ancillary products which too had a ready market in India.

The Timber Export Trade

We shall now present a brief outline of the methods followed for the extraction and export of timber under the control and management of the government. The cutting and transportation of timber required the services of at least four classes of people: *Kathaiyas* or timber merchants, *Kularhiyas* or lumbermen who actually felled trees and converted them into logs, *bahaliyas* or carters, and *mallahas* or boatmen who transported the logs to the nearest timber depot by surface track or river. Most of these people belonged to the adjoining areas of India. Indian carters seem to have been preferred because their carts were larger than those generally in use in Nepal.³⁹ Timber was usually exported to India in the form of logs; it was squared only in exceptional circumstances in which the large size of logs made transportation difficult.⁴⁰

of Rs 2082 in Bardiya district in 1900. "Order to Naib Subba Bharath Ram of the Bardiya Mal Regarding Contract for Collection of Kascharai Tax" Jestha Sudi 15, 1958 May 1901, *RRC*, vol. 89, pp. 99-113.

38. Cavenagh, *op. cit.* p. 71.

39. "Order to Babai Dwar Kathmahal Regarding Transportation of Timber" Marga Badi 7, 1954 (November 1897), *RRC*, vol. 76, pp. 468-76", "Order to Bardiya Mal Regarding Transportation of Timber", Ashadh Sudi 3, 1957 (June 1900) *RRC*, vol. 72, pp. 739-54.

40. "Order to Babai-Dwar Kathmahal Regarding Export of Timber" Ashadh 1954 (June 1897), *RRC*, vol. 76, pp. 357-63.

Timber extracted from forests through *kathaiya* was transported by cart or boat and stacked at *dwar*s, or "depots near the points at which the larger rivers leave Nepalese territory."⁴¹ The importance of river navigation in the timber export trade declined after India's railway system was extended to different centers on the Nepal-India border. However, rivers continued to be used as a cheaper alternative to transport by ox-cart from forests in the interior areas to the Indian railway stations or to market towns on the Nepal-India border⁴². Such internal needs explain why Bir Shumshere found it necessary to dredge the Karnali river in the far-western region in 1896.⁴³ Indeed, river navigation facilities were so cheap and convenient that in 1901 Prime Minister Chandra Shumshere sanctioned funds for the construction of canals from the Bheri and Karnali rivers for the transportation of timber.⁴⁴

The official establishments which managed the timber export trade through *dwar*s were known as *Kathmahals*.⁴⁵ Often several *dwar*s were placed under the control of a single *Kathmahal* for the sake of administrative convenience.

Kathmahals were usually managed under the *ijara* system. Under that system, the *ijaradar* paid a stipulated amount of money to the government in consideration of the right to export

41. "Girdlestone Report", *op. cit.* p. 27,

42. "Order to Bandal-Dwar Kathmahal Regarding Export of Timber" Aswin 1954 (September 1897), *RRC*, vol. 76, pp. 310-21.

43. "Order to Banke Mal Regarding Dredging of Karnali River", 1953 (1846), *RRC*, vol. 76. pp. 34-42.

44. "Order to Subba Ramanath Upadhyaya of Bandal-Dwar Kathmahal Regarding Construction of Canals", Jestha Sudi 10, 1958 (May 1901), *RRC*, vol. 89, pp. 216-29.

45. "Forest Regulations in the Name of Subba Siddhiman Singh Rajbhandari", Magh Badi 9. 1903 (January 1847), sec. 4, *RRC*, vol. 62, pp. 611.

timber and other forest products in any quantity he could. Because *ijara* tenures were usually short, ranging between one year⁴⁶ and three years⁴⁷, *ijaradars* had little incentive to develop the timber export trade on a long-term basis. Consequently, the amount of revenue collected by the government from *Kathmahals* under the *ijara* system remained virtually stagnant during the first half of the nineteenth century. In Morang district, for instance, the figure remained unchanged at Rs. 38,000 during the quarter-century from 1809 to 1833, although it had risen temporarily to about Rs. 40,001 in 1828.⁴⁸ At the middle of the nineteenth century, the figure had gone down further to Rs. 25,001.⁴⁹

Developments During the Early Rana Period

The third quarter of the nineteenth century witnessed a spectacular change in the nature of the export trade in timber and other forest products. That change was due to two main factors: the growing demand in northern India to meet the growing needs of urbanization and industrialization, and the development of a railway transport system in India. Jung Bahadur appears to have taken prompt advantage of these new opportunities and initiated a number of measures which set the tone of forest policy until around the mid-1960s.

The initial measure that Jung Bahadur adopted with the objective of maximizing revenue from the timber export trade

46. "Ijara Grant to Subba Prayag Datta Jaisi for Katmahals in Kosi-Mechi Region", *Bhadra Sudi* 5, 1885 (September 1828), *RRC*, vol. 43, pp. 126-28.

47. "Ijara Grant to Sriharsha Jaisi for Kathmahals in Kosi-Mechi Region", *Bhadra Badi* 8, 1888 (September 1831), *RRC*, vol. 44, pp. 345-47.

48. Mahesh C. Regmi, *The State and Economic Surplus: Production, Trade, and Resource-Mobilization in Early 19th Century Nepal*, (Varanasi: Nath Publishing House, 1984), pp. 205-6.

49. "Revenue and Expenditure of the Government of Nepal", 1908 (1851), *RRC* (Misc.)

was both bold and shrewd. Around 1855, he imposed a total ban on logging operations in the eastern Tarai region.⁵⁰ This measure apparently did not affect the export of existing stocks. In any case, it could not have come at a worse time for the British Indian government, inasmuch as it was around this time that northern India's sal forests were being badly depleted as a result of the large-scale production of ties for the expanding railroad network⁶¹ and the major sources of supply were, consequently, left on the Nepali side of the Tarai border.⁵² Contraction in sources of supply and a big spurt in demand inevitably led to a steep increase in the price of timber. The impact of Jung Bahadur's decision to ban logging operations in the Tarai region is described in the following report sent by H. A. Robinson, officiating Magistrate of Champaran, to the Commissioner of Circuit in Patna on May 21, 1860:⁵³

All along the frontier there are valuable forests. Since the Nepaul Tarai has been closed, these forests and those about the Morung above Kessingunge in Purneah and the lower part of Sikkim are the sources of the supply of timber for the Railway...The Railway Contractors have established three large depots for timber in the district (of

50. "Chautariya Ranaser Shahi's Order to Ditttha Rajaman Singh Vaidya Regarding Ban on Logging Operations in Bara, Parsa, Rautahat, and Sarlahi", Chaitra Badi 7, 1912 (March 1856), *RRC*, vol. 56, pp. 680-83.

51. Richard P. Tucker, "The British Colonial System and the Forests of the Western Himalayas, 1815-1914", p. 29.

52. Richard P. Tucker, "The Forestry of the Western Himalayas: the legacy of British Colonial Administration", revised version of paper presented at the Twelfth World Congress of the International Union of Forest Research Organization, Kyoto, September 1981, p. 13.

53. "Register of Letters Issued (General Department) from April 1859 to January 1862" Bihar State Archives, Patna.

Betteah) managed by Europeans. They have already obtained a lease of the Ramnugger forests and now the only open jungles are those belonging to the Betteah Rajah near Tribenee...As a consequence, the price of timber is about 3 times what it was 3 years ago and it is very difficult to procure and will be more so as the Tribenee forests are being recklessly destroyed.

The favourable conditions in the export market that Jung Bahadur thus maneuvered through the ban on logging operations set the stage for the next step toward fulfilling the objective of maximizing revenue from the timber export trade. In 1858, he finally abolished the *ijara* system and replaced it by arrangements for logging and export under the *amanat* system.⁵⁴ The timber export trade was thereafter placed under the management of salaried employees appointed by the government, which not only received the actual sale proceeds, but also assumed the obligation to meet administrative expenses, as well as losses and expenses incurred on the cutting, transportation, and storage of timber.⁵⁵ Because the far-western Tarai region came under Kathmandu's control only in 1858, Jung Bahadur was able to introduce *amanat* arrangements for the exploitation of its forest resources in that regions without any *ijara* prelude.⁵⁶

The *Kathmahal* was the linchpin of the new *amanat* setup for forest administration in the Tarai and inner Tarai region.

54. "Order to Commanding General Badrinar Singh Kunwar Rana Regarding Abolition of Ijara System for Management of Kathmahal", Marga Badi 9, 1915, (November 1856), *RRC*, vol. 81, pp. 471-75.

55. "Regulations for Amanat Management of Kathmahals in the Eastern Tarai Districts", Marga Badi 6, 1918 (November 1861), *RRC*, vol. 10, pp. 251-72.

56. "Regulations for Amanat Management of Kathmahals in the Far-Western Region", Kartik Badi 10, 1917 (October 1860), *RRC*, vol. 47, pp. 495-507.

In 1876, Girdlestone noted that the *Kathmahal* was "as much a department of state as our own bureau of revenue, agriculture, and commerce."⁵⁷ As the volume of export trade increased after the *amanat* take-over, the number of *Kathmahals* was raised in the same proportion. By the end of the nineteenth century, there were at least eighteen *Kathmahals* from Morang in the east to Kanchanpur in the west, including Sindhuli, Dang, and Chitwan in the inner Tarai region.⁵⁸ These *Kathmahals* functioned under the general control and supervision of a central department known as the *Kathmahal Bandobast Adda*.⁵⁹

Under the *amanat* system, *Kathmahals* initially permitted the unrestricted export of logs subject to the payment of duties on each cartload, as well as a number of fees and perquisites.⁶⁰ The drawbacks of this arrangement soon became manifest. Because the rates were low, the amount of revenue was also low. Moreover, unrestricted logging led to the rapid depletion of forest resources. In late 1861, therefore, Jung Bahadur enforced tighter arrangements for logging and export of timber under the *amanat* system. The main objective of those arrangements was to sell timber at prices based on size and category rather than on cartloads, thereby ensuring higher prices.⁶¹ Girdlestone has described the new system in the following words:⁶²

57. "Girdlestone Report", *op. cit.*, p. 27.

58. "Kathmahals in the Tarai and Inner Tarai Regions at the End of the Nineteenth Century", *Regmi Research Series*, year 11, no. 10, October 1, 1979, p. 160.

59. "Order to Captain Kuldip Mudbhari Regarding Logging Operations in Morang", *Aswin Badi* 10, 1939 (September 1882), *RRC*; vol. 93, p. 42.

60. "Regulations for Amanat Management of Kathmahals in Morang" *Marga Badi* 6, 1918 (November 1861), sec. 24., *RRC*. vol. 10, pp. 269-71.

61. *Ibid.*

62. "Girdlestone Report", *op. cit.*, p. 27.

Formerly any one was allowed to cut and export timber provided that he paid according to the current scale; now special permission has to be obtained to cut and export. The Durbar in course of time came to see that though felling on a considerable scale and exportation at cheap rates resulted in a good revenue, its forests were rapidly becoming impoverished. It has not the knowledge for an organized system of conservancy, and therefore, it attained its object of maintaining the revenue and protecting the forests by greatly enchancing the rates.

Enhanced rates led to a declining turnover, however, as we shall see later. But the *amanat* arrangements seem to have fulfilled the main objective of increasing revenue from timber exports. Revenue from that source had yielded no more than Rs. 25,001 under the *ijara* system, as already noted in a previous section. Thanks to the replacement of *ijara* by *amanat*, the amount had increased nearly {20 times and reached Rs. 489,531 about ten years later.⁶³

Two systems were usually followed for the logging and transportation of timber under the *amanat* system, namely *tipeta* and *khuski*.⁶⁴ Under the *tipeta* system, these operations were financed and managed by *Kathmahals* themselves. *Khuski*, on the other hand, implied the association of private enterprise in these operations in varying degrees. Under that system, *Kathmahals* issued licenses to private merchants to finance and manage logging and transportation and either purchased the timber at statutory prices or else auctioned it to the highest bidder, using a part of the proceeds to compensate the losses for the expenses incurred by them in logging and transportation. In the later years of the nineteenth century, the term *khuski* was mostly used to denote a system under which specified forest plots were sold by auction, and the successful bidder

63. "Revenue and Expenditure of the Government of Nepal", 1918 (1861-62), RRC, (Misc).

64. See no. 55 and no. 56 above.

was allowed to export the timber on payment of export duties and other charges.

The *tipeta* and *khuski* systems introduced by Jung Bahadur during the early 1860s for the exploitation of the forest resources of the Tarai region were by no means Rana innovations. Rather, they paralleled the arrangements adopted by the contemporary British Indian authorities in neighbouring India. According to a recent description of the British Indian system :⁶⁵

Two alternative systems were used (for the procurement and marketing of timber), with several variations on each : they were broadly labelled "departmental agency" and "private agency"...Under the first system, which the (forest) department often preferred if it could staff the work, its employees harvested the trees and transported them to depots, usually at the foot of the hills. Periodic auctions of the cut timber brought the department its major source of revenue and handed the wood to the merchants for transport and final sale. Under the second alternative, contractors bought the right to fell specified timber standing in the forests. Either the department marked each tree selected for harvest, or the right to all timber in a designated area was auctioned for clear cutting—a far less desirable alternative. The winning contractor then organized the entire operation, from mountain side to market.

This, in fact, is an accurate description of the *tipeta* and *khuski* systems followed by the early Rana rulers in the Tarai region of Nepal.

Under the *tipeta* system, the usual method was to employ *kathaiyas* and carters to cut and transport timber from specified forests to the nearest *dwar* and make payments on piece-rate basis. Arrangements were also made to supply them with credit for the purpose. Such credit was essential because,

65. Richard P. Tucker, "The British Colonial System and Forests of the Western Himalayas, 1815-1914", pp. 34-5.

as the Chief of the Morang *Kathmahal* reported to Kathmandu in 1868, "*kathaiyas* are destitute people"⁶⁶. Alternatively, *kathaiyas* and carters were employed by the *Kathmahal* on wage basis. The credit system suffered from two shortcomings. Firstly, it required large-scale investments, which often remained tied up for long periods of time because of delay in disposing of stocks. Moreover, *kathaiyas* and carters mostly belonged to India, and the provision for a responsible local person to stand surety on their behalf does not appear to have deterred them from often going back home without clearing off the debt.⁶⁷ Delinquency was not always due to dishonesty, however, for frequently the borrowers were unable to meet their commitments because of such circumstances beyond their control as cattle epidemics or torrential rains.⁶⁸ These disadvantages explain why Jung Bahadur decided to abolish the credit system in the *Kathmahals* of the eastern Tarai region in 1865.⁶⁹ *Tipeta* timber was then procured in that region solely under the wage-system. In the western and far-western regions, on the other hand, the 1861 regulations permitted the use of both the credit system and the wage-system according to circumstances. The credit system, although abolished in the eastern Tarai region, was accordingly retained elsewhere at least until the last years of the nineteenth century.

As already noted, *khuski* denoted a variety of arrangements permitting the association of private enterprise in the timber export trade. Initially, under that system, licenses were issued to private merchants to cut timber from specified forests

66. "Order to Subba Bishwanath Padhya of Kosi-Purwari Kathmahal in Morang", Ashadh Badi 6, 1923 (June 1866) *RRC*, vol. 57. pp. 686-91.

67. "Order to Subba Umra Ban Regarding Dadani Payments for Kathmahal Operations", Magh Sudi 12, 1915 (January 1859), *RRC*, vol. 51, pp. 565-57.

68. "Order to Babai-Dwar Kathmahal Regarding Transportation of Timber". 1900 (see no. 39 above).

69. "Order to Subba Bishwanath Padhya..." (see n 66 above)

and supply it to the nearest *dwar*, and payments were made for such timber at official prices. It may be correct to presume that these prices provided for a reasonable margin of profit, as otherwise no merchants would have been willing to work. In an attempt to maximize revenue under the *khuski* system, the government made an important change in these arrangements around 1875. Merchants were still allowed to cut and transport timber to *dwar*s, but the timber was auctioned and sold to the highest bidder. In the words of Girdlestone :⁷⁰

Until last year, the intending purchaser cut and carried the wood to the custom-house, where he paid at the existing rates and became the owner of the wood, without fear of competition. Under the present system, whilst cutting and carriage still devolve on him, he is liable to be outbid, as all timber is put up to auction, subject to reserved prices. A drawback is allowed from the sale proceeds on account of the expense of cutting and carrying, but the amount does not cover such expense. Consequently, unless the man who has cut and carried gets the wood knocked down to him at auction, he loses by the venture.

The uncertain nature of the merchant's profits under these arrangements explain why the *khuski* system remained relegated to a secondary role beside the *tipeta* system until around the last years of the nineteenth century.

Timber Sales

The previous section contained a description of the procedure followed for logging and transportation of logs from the forest to the nearest *dwar* under the *amanat* system. We shall now outline the procedure followed for the sale of logs.

70. "Girdlestone Report", *op. cit.*, p. 33 See also "Order to Subba Gorakh Singh Kunwar Chhetri of the Hanumannagar Mal Regarding Timber Sales", Baisakh Badi 12, 1943 (April 1886), *RRC*, vol. 77. pp. 503-8.

The normal practice of *Kathmahals* was to sell timber by auction to the highest bidder⁷¹. Bids were conducted on the basis of reserve prices fixed by the government, which provided for a margin of profit amounting to between 150 percent and 290 percent of the cost price.⁷²

Such reserve prices, therefore, seem to have been high enough to deter prospective buyers. Indeed, the desire to maximize revenue led the Rana government to increase prices sharply. The inevitable result was a decline in the volume of timber exports. According to one British source, in the western Tarai region:⁷³

For every hundred timbers sold a year by the Nepalese before the (1857) mutiny they do not now sell a couple. The proper conservancy of their forests is of course as necessary for their government to consider as it is for us...
...But they have at the same time overshot their mark, for they have almost rendered prohibitive the taking of any timber across the frontier by raising the price too high.

The increased prices and stringent export regulations under the *amanat* system had one more adverse impact on the amount of revenue. Because of the reduced volume of exports, *Kathmahals* were often unable to dispose of their stocks of timber quickly. Indeed, timber often remained unsold for several years after it was cut and stacked at *dwaras*. Moreover, the quality of the timber deteriorated, so that *Kathmahals* found

71. "Regulations for Amanat Management of Kathmahals in Eastern Tarai Districts", 1861, (see n. 55 above), Sec. 16, pp. 262-3; "Regulations for Amanat Management of Kathmahals in the Far-Western Region", 1860 (see no. 56 above), sec. 10. pp. 497-8.

72. "Order to the Rapti-Dwar Kathmahal Regarding Timber Sales", Jetha Sudi 12, 1943 (May 1886), *RRC*, vol. 77, pp. 698-703.

73. "Girdlestone Report", *op. cit.*, p. 25.

it difficult even to raise their costs. For instance, according to the same British source, the Nepali *Kathmahal* authorities,⁷⁴

Have at their depot at Ramghat on the Banganga (river in the western Tarai region) ...lakhs of logs that have been lying there for seven years and upwards, of which most are now rotten and useless.

This was by no means an isolated case. At the Pipaltar-Dwar in Chitwan, 1,973 sal logs cut and transported at government expense in 1872 were lying unsold ten years later. An Indian merchant from Bettiah made an offer in 1882 to purchase them at the cost price if he was also permitted to buy 4.01 new sal logs at regular prices. The local *Kathmahal* authorities recommended to Kathmandu that the offer be accepted. The arguments they put forward in support of their recommendation substantiates the points made by the British source mentioned in the previous paragraph. They wrote:⁷⁵,

It appears better to dispose of the old stocks even at cost price, for the timber is rotting day by day, and the government will only lose revenue by letting it remain unsold.

But the government was lucky if it received back its costs, for often it had no alternative but to sanction sales at a loss. For instance, the Rapti-Dwar *Kathmahal* reported in 1886:⁷⁶

A total of 4,375 logs involving expenses amounting to Rs. 31,611 have been lying unsold in the *Kathmahal* since before 1877. Similarly, 5,733 logs, involving expenses amounting to Rs. 13,071, are lying unsold in the Bana-ganga-Dwar *Kathmahal*. There are small quantities of such

74. *Loc. cit.*

75. "Order to Lt. Madhav Lal of the Pipaltar-Dwar in Thori, Chitwan District", Bhadra Sudi 4, 1939 (August 1882), *RRC*, vol. 93, pp. 1-6.

76. "Order to the Rapti-Dwar *Kathmahal*...", (see n. 72 above).

unsold stocks in other *Kathmahals* also. Regulations had been promulgated for the Rapti *Dwar* and Banaganga—*Dwar kathmahals* prescribing that timber be sold at a price 150 or 200 percent more than the cost. When timber could not be sold at such prices orders were issued to dispose it of at cost, if necessary, but it has been possible to dispose of only very small quantities at cost price.

Prime Minister Bir Shumshere ordered that the abovementioned timber be sold at a loss, if so necessary.⁷⁷

The system of reserve prices became increasingly unrealistic in the course of time, for administrative fiat from Kathmandu were powerless against the laws of demand and supply. By the early 1890s, therefore, Bir Shumshere had no alternative but to grant *Kathmahal* officials the power to finalize sales without any reference to the reserve prices. For instance, regulations promulgated in the name of the Babai—*Dwar Kathmahal* in Bardiya prescribed:⁷⁸

Sell timber at the prescribed rates as far as possible. If not, invite bids with a time-limit of seven days, and sell timber to the highest bidder at your discretion.

At the same time, the government experimented with various methods to cut such losses. For instance, regulations was introduced during the 1880s under which no merchant was allowed to buy newly-cut timber unless he also bought old timber in equal proportions.⁷⁹ There is no evidence, however, that such methods made any dent on the problem.

77. *Ibid.* Such cases seem to have been numerous. See also "Order to the Bandal-Dwar Kathmahal Regarding Timber Sales", *Jestha Badi* 3, 1954 (May 1897), *RRC*, vol. 76, pp. 65-72.

78. "Order to the Babai-Dwar Kathmahal Regarding Timber Sales" *Shrawan Badi* 3, 1954 (July 1897), *RRC*, vol. 76, pp. 427-34.

79. "Order to Lt. Madhav Lal Rijal of the Pipaltar-Kathmahal in Chitwan", *Aswin Sudi* 6, 1939 (September 1882), *RRC*; vol. 93, pp. 45-48.

Abolition of the Tipeta System

Permission to local *Kathmahals* to sell *tipeta* timber to the highest bidder irrespective of the reserve price fixed from Kathmandu may have helped in mitigating to some extent the problem created by the accumulation of unsold stocks, but it treated only a symptom. The basic malady lay not in the system of reserve prices, but in the incapacity of the *Kathmahal* administration to handle the timber export trade on a commercial basis.

Faced with this situation, Bir Shumshere decided in late 1897 to abolish the *tipeta* system itself. *Kathmahals* were thereafter instructed to arrange for logging, transportation, and export exclusively through private merchants under the *kluski* system.⁸⁰ In other words, they sold specified quantities of timber in specified plots to the highest bidder, who financed logging and transportation and also exported the timber himself. This change marked the end of the active role of the state in the timber export trade. It, no doubt, lessened the administrative responsibilities of the government, but there is no evidence that it maximized revenue or ensured a scientific management of forest resources. Moreover, as the opinions of British experts show, the new system was unduly wasteful. For instance, J. V. Collier, an expert of the Forest Department of the British Indian government who was invited as an adviser by Prime Minister Chandra Shumshere during the early 1920s, wrote:⁸¹

This method, while apparently sound in theory, has in practice often proved very wasteful. For the Indian merchant is naturally thinking of his maximum profit, which

80. "Order to the Babai-Dwar Kathmahal ..", 1897 (see n. 78 above, *RRC*, vol. 76, pp. 468-76. See also "Appointment of Jit Bahadur Adhikari as Chief of the Kosi-Purwari Kathmahal in Morang", Poush Sudi 2, 1953 (December 1901) *RRC*, vol. 88, pp. 327-32.

81. Collier, *op. cit.*, p. 254 (see no. 3 above).

depends on his extracting, and paying the royalty on, nothing but the most perfect logs. It is characteristic of all Himalayan broad-leaved timber trees that, with no exterior sign of defect, their logs often exhibit on felling certain defects which may, indeed, be of slight consequence, but may, on the other hand, be so serious as to render the extraction of the log unremunerative. The practice of the merchant has naturally been to reject and to leave to rot in the forest all logs which on being felled, exhibit the slightest defect, and to export only the most perfect timber. It would be no exaggeration to state that in many cases the value of the logs extracted under this system of sale is less than the value of the logs cut, found defective, and left behind in the forest.

Negotiated Sales

The arrangements mentioned above, which provided for the sale of timber to the highest bidder subject to reserve prices prescribed by the government, were mainly applicable in the case of commercial exports. Exports of timber to British India on government-to-government basis were handled in a different manner.

The official British Indian demand for timber consisted for the most part of ties, or sleepers according to British Indian usage, that is, the parallel cross beams laid on railroad tracks to fasten the rails. Because the second half of the nineteenth century witnessed a phenomenal expansion of India's railroad system, the demand for such ties, for which the sal timber of Nepal was eminently suited, was virtually insatiable. A part of the demand was met by Indian merchants who exported sal logs to India and converted it into ties, but often *Kathmahal* authorities in Nepal were permitted to negotiate directly with British Indian officials for production and supply according to prescribed specifications. They were specially instructed to ensure that the prices were remunerative. According to the 1861 regulations for *Kathmahals* in the eastern Tarai region:⁸²

82. "Regulations for Amanat Management of Kathmahals in the Eastern Tarai Districts", 1861, (see no. 55 above), sec. 6 *RRC*, vol. 10, pp. 254-5.

In case British officials request supply of timber according to their samples and specifications, ascertain whether the prices they offer are higher than the normal sale prices of such timber. If not, inform them what prices will be suitable and what quantity of timber you can supply at those prices. If they accept the prices quoted by you, calculate the total amount on the basis of the quantity you can supply, collect an advance payment of not more than 10 percent, and sign a firm contract in writing. If they do not accept the prices quoted by you, inform them that you cannot supply timber according to their specifications, and report to (Kathmandu) accordingly.

Timber was supplied to the British Indian authorities on a negotiated basis in the form of logs as well as ties conforming to their specifications. Ties, of course, fetched higher prices than unprocessed logs in proportion to the quantity supplied, but nevertheless their export yielded a comparatively lower amount of revenue. This was so because facilities for processing logs into timber were inadequate, and there was no market for the leftovers. Reference may be made to a contract signed in February 1879 by the Commander-in-Chief, Dhir Shumshere, with a British official from Monghyr for the supply of 70,000 ties to illustrate the point. The contract stipulated a price of Rs. 2-4 each and delivery within a two-year period from the forests of Bhikhnathori in Chitwan. It also provided for arrangements to process sal logs into ties in Nepali territory with equipment and other facilities provided by the British side at Nepal's cost. By 1882, however, only 41 ties had actually been delivered. The contract was, therefore, renegotiated in that year. Under the new arrangements, the British side agreed to purchase 17,000 sal logs, sufficient for 50,000 ties, at specified prices within three years and to convert them into ties in Indian territory.⁸³ While each side sought to

83. "Order to Lt. Madav Lal Rijal of the Pipaltar-Kathmahal in Chitwan", Kartik Badi 1, 1939 (October 1882), *RRC*, vol, 93, pp. 7-29.

explain the delay in completing the 1879 contract within the original two-year schedule in various ways, the real reason seems to have been different. The Nepali side realized that a contract for the supply of ties could never yield profits.⁸⁴

Ties of acceptable quality can be produced only if the logs are of good quality. If logs cut in the forests are defective, the number of ties produced will be less, and the quantity of leftover timber will be large. Since no merchant is likely to buy such timber, the government will suffer a heavy loss.

The local *Kathmahal* authorities, therefore, calculated that the supply of 41 ties for Rs. 92-4 in 1879 had actually yielded a smaller amount than the value of the timber used for their production at normal prices.⁸⁵

During the last years of his rule, Prime Minister Bir Shumshere initiated new arrangements for the production and export of ties. These arrangements consisted of the installation of saw mills at different points on the Nepal-India border under the management of British engineers and with machinery procured from India.⁸⁶ Such mills were installed at Nepalgunj and at Nawalpur during 1900-1. The experiment was, indeed, of historic importance, for it was perhaps for the first time in the economic history of the Kingdom that the government invested capital for the installation of mechanical equipment for processing primary commodities for commercial export.

In 1897, Bir Shumshere also experimented with a plan to transport timber to Calcutta in India for sale on government account, apparently in expectation of higher prices. Arrangements were made to dispatch an initial consignment of 200 logs of sissoo timber from the forests of Saptari district

84. *Ibid.*

85. *Ibid.*

86. "Saw Mills in the Tarai Region", *Regmi Research Series*, year 13, no. 10, October 1, 1981, pp. 150-1.

through the Kosi river to Calcutta. The Nepali diplomatic mission in that city was provided with a schedule of the reserve prices prescribed for the purpose of sales in Nepal and instructed to sell the timber at higher prices, if possible.⁸⁷ However, no information is available about the ultimate fate of this experiment.

Export of Auxiliary Forest Products

The 1861 regulations for the management of *Kathmahals* in the Tarai region make no reference to the procurement and export of auxiliary forest products such as medicinal herbs and sabai grass. It may accordingly be presumed that people were free to procure such products and sell or export them subject, of course, to payment of the prescribed duties. State control of the export trade in auxiliary forest products seems to have begun only during the 1880s. Such control assumed the form of a monopoly in specified products, which was usually operated under the *ijara* system. *Ijaras* enabled the government to raise revenue from even minor sources without any effort or expense, and, at the same time, provided wealthy and enterprising financiers with new opportunities for making money. Indeed, *ijaras* to operate monopolies in the export trade in auxiliary forest products seem to have attracted even high-ranking members of the Rana family.⁸⁸ In

87. "Order to the Hanumannagar Mal Regarding Export of Timber to Calcutta through the Kosi-Pahhuwari Kathmahal", Jetha Sudi ..., 1954 (May 1897), *RRC*, vol. 71, pp. 539-49.

88. In 1900, an *ijara* for the export of sabai grass from the Dunduwa area of the far-western Tarai region was taken up by no less a person than the Commanding General of the Eastern Zone, General Bhim Shumshere Jung Bahadur Rana, who was elevated to the position of *Commander-in-Chief* during the term of the *ijara*. "Order to Dunduwa-Pahad Kathmahal and Amini Regarding Ijara for Sabai Grass", Poush Badi 13, 1957 (December 1900), *RRC*, vol. 70, pp. 34-6; "Order to Dunduwa-Pahad Kathmahal

the event *ijara* offers were not received at the existing level of payment, the Ranas inevitably took recourse to the *amanat* alternative.

There were two main methods through which auxiliary forest products were procured under the *amanat* system. The first method was to employ wage laborers to extract specified products from specified areas, the wages being paid on a piece rate basis.⁸⁹ The second method was to procure forest products through producers, merchants, or other individuals at stipulated prices, which included a margin of profit.⁹⁰ Forest products procured through these arrangements were sold by auction to the highest bidder. There is no evidence, however, that trade in forest products yielded much revenue. The reason was that the volume of procurement was too meager

Chauki Goswara Adda", Poush Badi .. 1958 (December 1901), *Ibid.*, pp. 189-204. It would appear safe to presume that Bhim Shumshere only lent his name and influence for a financial consideration to the individual who actually managed the *ijara*.

89. For instance, laborers were employed in the Mahakali-Mohana region of far-western Nepal to collect *harro* (*Terminalia chebula*) from the local forests on payment of wages at the rate of R. 1 a maund for the large variety, and Rs. 2-13 a maund for the small variety. "Order to Mahakali-Mohana Khair Adda Regarding Procurement of *Harro*", Kartik Badi 3, 1954 (October 1897), *RRC*, vol. 61 pp. 284-302.
90. In 1897, for instance, the Chhatauna-Dwar Kathmahal in Rautahat district concluded an agreement with a local merchant for the procurement of 60 maunds of wax from the local forests at a price of Rs. 24 a maund and a commission, of one anna in the rupee, that is, 6.25 percent. "Order to Rautahat Mal Regarding Funds for Procurement of Wax and other Forest Products", Bhadra Badi 7, 1954 (September 1897), *RRC*, vol. 71, pp. 589-607.

to permit large-scale operations. Two instances may be sufficient to underline this point. During the three-year period from 1892 to 1894, no more than 1.2 maunds of long pepper was procured in Bardiya district at a cost of Rs. 9-9.⁹¹ Similarly, during the 17-month period between November 1895 and March 1897, only ten maunds of wax was procured in Nepalgunj at a cost of Rs. 257-10.⁹² It seems unnecessary to emphasize that procurement in such small quantities could hardly be a source of large revenue receipts. Cases of outright loss were, in fact, frequent.⁹³

The general objective of monopolies in the export trade in forest products was to raise revenue without subjecting the local people to undue hardships.⁹⁴ Occasionally, however, the temptation to bring under fiscal monopolies even those products that had no export market but were chiefly used for local consumption proved too strong, even though such control yielded insignificant amounts of revenue and subjected the local people to real hardships. During the early 1890s, for example, wild berries were placed under an *ijara* in several parts of the Tarai region. Local revenue functionaries

91. "Sale of Forest Products in the Far-Western Tarai Region" *Regmi Research Series*, year 12, no. 2, February 1, 1980. pp. 24-25.

92. "Order to Nepalgunj Bazaar Adda Regarding Procurement and Sale of Wax", Bhadra Sudi 3, 1954 (August 1897), *RRC*, vol. 61, pp. 195-209.

93. A reference had been made in no. 89 to the procurement of *harro* in the Mahakali-Mohana region of far-western Nepal in 1897. Procurement amounted to 6.8 maunds with a wage-bill of Rs. 14, but the sale proceeds amounted to no more than Rs. 7-12. The venture thus resulted in a loss of Rs. 6-4.

94. "Order to the Banaganga-Dwar Kathmahal in Butwal Regarding Sabai Grass Exports", Poush Sudi 6, 1942 (December 1885), *RRC*, vol. 54, pp. 291-7.

in Mahottari district petitioned to Kathmandu praying that the *ijara* be abolished. The reasons adduced to justify their request illustrate the impact of the *ijara* system on the economic condition of the common people :⁹⁵

The *ijara* (for the collection of wild berries from the forests of Mahottari district) fetches hardly 2 or 3 rupees a year. However, it has subjected the people to considerable harassment, because the *ijaradar's* agents impose fines even when they collect such berries from their own fields and nearby forests. Moreover, people who make their living by gathering berries have been thrown out of employment.

Prime Minister Bir Shumshere accepted the request and abolished the *ijara*,⁹⁶ but no one seems to have raised the question why such a monopoly had been introduced in the first place.

Concluding Remarks

To conclude, notwithstanding various and repeated experiments in methods of exporting forest resources, the early Rana rulers were unable to devise a scientific and efficient system. By the end of the nineteenth century, state control of the timber export trade, introduced with much fanfare during the mid 1850s, had proved unworkable, and the government ultimately found no alternative but to depend on the private enterprise of contractors, most of whom belonged to India. Even then, the amount of revenue collected from the timber export trade seems to have progressively expanded over the years in view of the growing Indian market and the large scale on which forest lands were cleared and brought under the plow.



95. "Abolition of *Ijara* for Trade in Wild Berries in Mahottari and Elsewhere", *Jestha Badi* 3, 1954 (May 1897) *RRC*, vol. 61, pp. 1-5.

96. *Ibid.*

CHAPTER VIII

The Pattern of Trade

The previous chapters discussed the nature of the fiscal system with reference to agrarian taxation (Chapter 4) and state-controlled production and trade in the fields of agriculture (Chapter 5), mining (Chapter 6), and forests (Chapter 7). The following chapters deal with commercial revenue, that is, revenue raised from private trade, either through taxation or through state intervention in such trade. In order to be comprehensible, the discussion must be preceded by a general description of the pattern of trade. The nature of the Kingdom's internal trade, as well as its external trade with India and Tibet, the main routes and centers of such trade, and its general trend during the latter part of the 19th century will accordingly form the subject-matter of this chapter.

General Features

We may begin with an exposition of certain outstanding characteristics of Nepal's trade during the nineteenth century. Chief among these characteristics was the overarching importance of external trade in contrast to internal trade as a source of revenue. The reason lies mainly in geography. The Kingdom of Nepal extends east to west, and the Tarai, its most productive region, adjoins northern India, one of the most densely populated regions in the world. Consequently, the Tarai region

has easier access to the Indian plains than to the interior areas of the Kingdom in the hill region. Similarly, the hill region, the most densely-populated region of the Kingdom and also a rich source of primary produce, is nearer to both Tibet and India than to other areas in the Kingdom in the east and the west.

The geographical proximity of each part of the Kingdom to either India or Tibet was not the only reason why internal trade was of less importance than external trade, for topography constituted yet another constraint. Reference has been made in Chapter 1 to the physical barriers in east-west communications. Because of those barriers, an almost total lack of trade and other economic intercourse between the eastern and western parts of the Kingdom was a conspicuous feature of the economy. Even where physical barriers were less formidable, inter-regional trade was inhibited by the lack of markets for the products of one region in the other. The most conspicuous example is provided by the hill region and the Tarai. Intercourse between these regions was common place, but there is no evidence that such intercourse contributed in any way to trade. Indeed, the hill region and the Tarai had almost nothing to exchange with each other.

There was yet one more reason why foreign trade was important in the economy of Nepal. Practically no village in the hill region produced any salt, an essential item of human diet. Almost the entire hill region was, therefore, obliged to procure that essential commodity from Tibet, the nearest source. In the Tarai region, an inferior variety of salt, known as *khari*, was produced as a by-product of saltpeter¹ and may have met the demand of the poorer classes of the population, but the bulk of the supply was procured from India. Indeed, salt was one of the chief items in the list of the Tarai region's

1. Mahesh C. Regmi, *The State and Economic Surplus: Production, Trade and Resource-Mobilization in Early 19th Century Nepal*. (Varanasi: Nath Publishing House, 1984), p. 77.

imports from that country. As Girdlestone recorded in 1876, "Such salt as comes from British India is mainly consumed in the lowlands", and "there is hardly any demand for the British salts in the interior of Nepal."²

Internal trade appears to have been most developed in the central hill region, which accommodated the capital, Kathmandu, where the royal court and other civil and military establishments of the government were located, and where the *birta*owning aristocracy and the *jagiro*owning bureaucracy were congregated. These factors acted as the centripetal force propelling the movement of commodities toward the center, and so contributing to the development of a state-controlled system of commercial taxation that left far behind other regions of the Kingdom, less effective in terms of demand and purchasing capacity. For instance, copper poured into Kathmandu from the western hill region, and iron from the eastern hill region, for munitions factories. The valley also received supplies of cotton from Nuwakot, goats and buffaloes from the adjoining hill areas and the Tarai, and metal goods from as far as Dhankuta.

External Trade

Because of geography, Nepal's external trade was limited to Tibet and India during the nineteenth century. There is no evidence that its products ever reached a third country. On the other hand, Nepal received European goods through India, and also served as a conduit for the reexport of Indian and European goods to Tibet, and of Tibetan goods to India.

Nepal's external trade with both Tibet and India traditionally flowed at two levels. The first was the local trade con-

2. From C.E.R. Girdlestone, Esq., C.S., Resident in Nepal to T. H. Thornton, Esq. D.S.L., Offg. Secy. to the Government of India, Foreign Department, September 19, 1876, in "Trade between British India and Nepal", Foreign Department (Revenue A) Consultations, No. 13, National Archives of India, New Delhi, cited hereafter as "Girdlestone Report", p 38.

ducted by people living in the border areas on both sides, while the second may be designated as national trade flowing through specified routes and markets controlled and supervised by the government. Broadly speaking, border trade was subsistence-oriented and was usually conducted through barter, while national trade was usually conducted by specialized merchants with the motive of earning profits. The transit trade that flowed between Bengal and central Tibet through Kathmandu was an important component of the national trade.

A. Nepa!-Tibet Trade

(a) The Himalayan Border Trade

Border trade with Tibet has been a major factor in the economy of the hill and Himalayan regions of Nepal through centuries. Such trade enabled the inhabitants of the Himalayan region to supplement their meager income from high altitude agriculture, and those of the hill region to obtain supplies of salt in exchange for foodgrains and other commodities. Indeed, the salt-foodgrain nexus was the vital element in the Himalayan border trade. Trade was essential for both sides in order to overcome the constraints of a specialized pattern of production. The inhabitants of Tibet could not grow sufficient food because of the unfavorable climate and topography, but had numerous salt lakes. On the other hand, the hill region of Nepal raised large quantities of foodgrains, but lacked sources of salt supply, and so had to exchange their foodgrains with Tibetan salt³.

At the same time, the favorable location of certain areas in the Himalayan region led to their development as centers of transit trade between the hill regions and Tibet. Hatiya on the Arun river, Olangchung village on the route along the Tamor valley in far-eastern Nepal, Namche Bazaar in the eastern hill region, which linked the rich agricultural region

3. Regmi, *op. cit.*, p. 122

of the Dudhkosi basin with Tibet, and Thakkhola in western Nepal, were the most important of these centers. Olangchung was a center for the entrepot trade between Tibet and eastern Nepal, where goods brought by yak caravans from Tibet were transferred on to the backs of porters for the onward journey to the south. Tukche was the center in Thakkhola through which the main trade route connecting the towns of Pokhara and Baglung with Tibet through Mustang passed. Unlike the border trade, such comparatively long-distance trade was meant for profit rather than for meeting subsistence needs. Such profits ensured the individuals and communities engaged in the trade a measure of affluence which contrasted favorably with some agricultural communities farther south in the hill region.⁴

The Himalayan border trade with Tibet was subject to a number of constraints which make it doubtful whether it contained much scope for expansion. According to one study:⁵

The Tibetan areas bordering on the Himalayan region of Nepal were sparsely populated, hence there was a limit to the quantity of foodgrains and other primary produce of Nepal that the Tibetan border market could absorb. Similarly, there was a limit to the quantity of surplus foodgrains that the hill region could make available for export. Short of a miracle that could result in a simultaneous leap in agricultural production and the demand for salt in that region, as well as in population growth and salt production in Tibet, the volume of the Himalayan border trade had perforce to remain in a state of stagnation over the year.

The limited scope of the border trade, and its importance in the economy of the northern regions of Nepal, under-

4. Christoph Von Furer-Haimendorf, *Himalayan Traders*, (London: John Murray, 1975), p. 60.

5. Regmi; *op. cit.*, pp. 122-3.

standably made it a field of keen competition. Opportunities to engage in such trade were, therefore, restricted by custom to particular communities or villages in the region. For instance, barter trade in salt in Tarap village in the Chharka-Bhot area was a customary monopoly of the Asi, Pansaya, Chaudhabis, and Tibrikot areas of Jumla district, while the inhabitants of other parts of the district had the exclusive right to visit Taklakhar and three other villages in Tibet for purposes of trade.⁶

In 1871, Jung Bahadur decreed that such restrictions and privileges were no longer justifiable. He declared:⁷

For His Majesty, the ryots are all equal. Everyone is free to trade whenever he likes in Tibet, in the southern plains, or in other parts of Jumla. Anyone who prevents others from engaging in such trade on the plea of customary rights shall be punished in accordance with the law.

It is, however, not possible to ascertain to what extent this sweeping abolition of customary rights was actually effective.

(b) Transit Trade through Kathmandu

As noted above, the transit trade between Bengal and central Tibet through Kathmandu constituted yet another strand in Nepal's trade relations with Tibet. The main items that were imported from India and reexported to Tibet through Kathmandu were pearls, coral, amber, cotton, silk, and other textile goods, sugar, spices and tobacco, indigo, otter and other skins, English glassware and cutlery, and

6. *Ibid.*, p. 123-4.

7. "Abolition of Rekh Trading Rights in Jumla", *Jestha Badi* 30, 1936 (May 1879), *RRC*, vol. 82, pp. 449-53; "Abolition of Rekh Trading Rights in Tibrikot", *Shrawan Badi* 3, 1936 (July 1897), *Ibid.*, pp. 458-64. According to these documents, the step was first taken on *Poush Badi* 9, 1928 (December 1871).

opium. Items imported from Tibet and reexported to India included gold, musk, silk, woollen, and other textile goods, borax, and tea.⁸ Kathmandu's transit trade with Tibet has, therefore, aptly been described as mostly "a peddling business in luxury goods, carried on mainly at the behest of the wealthy and the curious".⁹ It has attracted attention as a field of historical research beyond any proportion to its contribution to Nepal's economy. This interest may be explained by the fact that throughout its history, Kathmandu's transit trade with Tibet has been closely linked with Nepal's political relations with Tibet and China on the one hand and British India on the other.

Indeed, there is evidence to believe that Kathmandu's trade link with Tibet was due more to political factors than to the advantages of geography and economies. A treaty signed between Kathmandu and Tibet during the middle of the seventeenth century had assigned a preferential role to the Newar merchants of Kathmandu in Tibet's trade. They were permitted to open trading houses in Tibet and even granted exemption from payment of customs duties and other charges. Tibet also agreed that its trade with India, even though conducted by other than Newar merchants, would be channelled through Kathmandu Valley in preference to the routes to the east, including the route via Sikkim.¹⁰ Such privileges and concessions helped to a great extent in mitigating the constraints of geography. The constraints were nonetheless real and their description may help us to study Kathmandu's transit trade with Tibet in a more balanced perspective. The

8. Mahesh C. Regmi, "The Kathmandu Valley Entrepot Trade", *Regmi Research Series*, year 11, no. 12 (December 1, 1979, pp. 189-90.

9. John Pemble, *The Invasion of Nepal*, (Oxford: Clarendon Press, 1971), p. 58

10. Leo E. Rose, *Strategy for Survival* (Bombay: Asia Publishing House, 1971), pp. 13-4.

passes of Kerung and Kuti, through which the transit trade was conducted, were then the shortest and most convenient routes between Bengal and Tibet. Moreover, they were situated at an altitude of between 13,000 and 14,000 feet, that is, below the Himalayan snowline, and so were "usually not totally impassable in winter."¹¹ Travel through these routes was, however, an arduous undertaking. The Kuti route has been described as "one of the most dangerous in the whole Himalayan range."¹² The Kerung route was somewhat less arduous but still "steep, loose and difficult".¹³ From Kathmandu, Kerung lies at a distance of about 141 kilometers, which was usually covered in eight days. The journey through Kuti was shorter by ten kilometers, but was more arduous and required one day more. After travelling 19 days from Kerung, and 16 days from Kuti, traders reached the town of Digarcha, from where Lhasa lies at a distance of 273 kilometers, which could be covered in eleven days more. A journey from Kathmandu to Lhasa thus required about 38 days through Kerung and about 36 days through Kuti.¹⁴

As noted above, the transit trade between northern India and Tibet through Kathmandu had flourished mainly because of the privileged status that Newar merchants had acquired in Tibet's trade since the mid-seventeenth century. A new treaty which Nepal signed with Tibet at the end of the 1855-56 war provided Jung Bahadur with an opportunity to reconfirm their traditional privileges. The treaty provided that "Tibet shall not levy any taxes (on routes), duties (on merchandise), and

11. *Ibid.*, p. 4

12. Perceval Landon, *Nepal* (reprint of 1928 ed., Kathmandu: Ratna Pustak Bhandar, 1978 , vol. 2. p. 34.

13. *Ibid.*, p. 30; Mahesh C. Regmi, "The Kathmandu Valley Entrepot Trade", (see no. 7 above), *op. cit.*, pp. 187-8.

14. Colonel Kirkpatrick, *An Account of the Kingdom of Nepaul* (reprint of 1811 ed., New Delhi: Manjusri Publishing House, 1969), pp. 315-22.

rates (of any other kind) leviable by Tibet on the merchants and subjects of the country of Gorkha". It also granted Nepal the right to "establish its own trade factory at Lhasa which will be allowed to trade freely on all kinds of merchandise from gems and ornaments to articles of clothing and food."¹⁵

Jung Bahadur's attempts to reinforce the legal basis of Kathmandu's traditional role as a center of transit trade between northern India and Tibet were, however, nullified within a few years because of an important change in the geopolitical scene of the eastern Himalayan region. That change was brought about by British India's growing political domination of the small Himalayan state of Sikkim east of Nepal. In 1817, the territories situated between the Mechi and Tista rivers, which Nepal had ceded to British India after the 1814-16 war, were transferred to Sikkim "in full sovereignty".¹⁶ However, Sikkim was persuaded to "present" the Darjeeling area to the East India Company in 1835, "on account of its cool climate, for the purpose of enabling the servants of (the East India Company) government, suffering from sickness, to avail themselves of its advantages"¹⁷. In 1861, the two sides concluded a treaty under which Sikkim pledged to abolish "all restrictions on travellers and monopolies in trade between the British territories and Sikkim". It also agreed that "there shall hence forth be a free reciprocal intercourse, and full liberty of commerce between the subjects of both countries. The treaty in addition, provided that "in the event of the British government desiring to open out a road through Sikkim, with the view of encouraging trade, the Sikkim government will raise no objection thereto, and will

15. Rose, *op. cit.*, 114-6,

16. C.V. Aitchison, *A Collection of Treaties, Engagements, and Sunnuds Relating to India and Neighbouring Countries* (Calcutta, Bengal Printing Company Limited, 1862), vol. 1. p. 157,

17. *Ibid.*, p. 161.

afford every protection and aid to the party engaged in the work".¹⁸ Finally, in 1890, the state was relegated to the status of a protectorate, with the British Indian government assuming "exclusive control over its internal administration and its foreign relations".¹⁹

Political domination of Sikkim made it possible for the British Indian government to open up an alternative route through that state for trade with Tibet. The route passed through Chumbi Valley, "a long finger of Tibet territory which reaches over the Himalayan crest and points down to Bengal".²⁰ Situated at an altitude of 10,600 feet above the sea level and so more accessible than most other passes leading to the Tibetan plateau through the Himalayas, the valley was "a natural gateway to Tibet"²¹. Indeed, "the true course of trade for Tibet is through Sikkim, which is closer to Calcutta, and in a direct line to the only part of Tibet with which there is any prospect of even a moderate business"²². Development of transport facilities under British auspices reinforced those geographical advantages. By 1877, "a regularly engineered road" had been constructed via Darjeeling upto the Jalap La Pass.²³ This was followed by the construction of a railroad between Calcutta and Darjeeling. One could then travel from Calcutta to Lhasa in about three weeks that

18. *Ibid.*, pp. 164-5.

19. R.C. Majumdar, et. al. (eds.), *The History and Culture of the Indian People*, vol. 9: *British Paramountcy and Indian Renaissance*, pt. 1 (Bombay: Bharatiya Vidya Bhawan, 1963), p. 1071.

20. Pemble, *op. cit.*, p. 86.

21. *Loc. cit.*

22. "Girdlestone Report", *op. cit.*, p. 41.

23. Sir Richard Temple, *Journals kept in Hyderabad, Kashmir, Sikkim and Nepal* (London: W. H. Allen, 1887), vol. 2, p. 160; Rose, *op. cit.*, p. 137.

is, less than half the time required for the Calcutta-Kathmandu-Lhasa journey.²⁴

The opening up of the Chumbi Valley route between Bengal and Tibet had an adverse impact on Nepal's trade with Tibet. To be sure, some Nepali commercial houses transferred their center of operations from Kathmandu to Kalimpong to take advantage of the cheaper transport costs through the new route.²⁵ They also continued to control the greater part of the trans-Himalayan trade, for they still enjoyed a privileged position in Tibet. However, Kathmandu no longer remained the main transit center for northern India's trade with Tibet, but was forced to surrender that status to Kalimpong.²⁶

Comparative statistics of the transit trade with Tibet through Kathmandu and Sikkim in subsequent years are not available. The information that is available suggests a large-scale diversion of trade through the new route. The composition of the trade that passed through the Chumbi Valley route would appear familiar to Nepali eyes – cotton goods, woollen cloths, metals, Chinaware, coral, indigo, maize, silk, fur and tobacco from India in exchange for musk, ponies, skins, wool, and yaks' tails from Tibet. The trade, moreover, registered a gradual increase over the years, rising from about Rs. 1 million in 1895 to as much as Rs. 1.78 million in 1899, much of it without doubt at the expense of Kathmandu.²⁷ The government of Nepal, consequently, lost an important source of revenue which it had been exploiting since at least the mid-seventeenth century. Nepal's own trade with Tibet also suffered. Kathmandu, as most other areas in the hill region

24. Jahar Sen, *Indo-Nepalese Trade in the Nineteenth Century* (Calcutta: Firma KLM Private Ltd. 1972), p. 119.

25. Rose, *op. cit.*, p. 127

26. *Ibid.*, p. 154.

27. Edmund Candler, *The Unveiling of Lhasa* (London: Thomas Nelson and Sons Ltd., c. 1905), p. 65.

of the Kingdom, remained dependent on Tibet for such essential supplies as salt, wool, goats, and sheep. On the other hand, Tibet was able to diversify its sources for the supply of many commodities which it had traditionally imported from Nepal. For instance, exports of iron from the eastern hill region to Tibet came to an end because the new route "opened the Tibetan market to cheap Indian iron with which the Nepalese produce, transported along a far more difficult route, could not compete for long".²⁸

B. Nepal-India Trade

As with Tibet, Nepal's trade with India flowed at two levels, local and national, local trade being carried on largely to meet subsistence needs. According to British sources, "a very large traffic is everywhere carried on along the frontier between the Nepalese and British subjects"²⁹, and in the border villages, "there is a fair demand for the salt, tobacco, and coarse sugar of British territory, and a return is made in potatoes and other vegetables".³⁰ A part of the border trade was conducted through barter, and comprised "the exchange of local produce, as dried fish, coarse sugar, earthen vessels, and more rarely tobacco, cotton, and salt, for vegetables, rice and ghee"³¹. Such trade flowed through numerous points on the border between Nepal and India. Indeed, "the lines of communication between the two countries are frequent, and the places of resort for the exchange of commodities are numerous."³² According to one British account, "markets are held at countless villages along the boundary for the exchange of rural produce and article of daily consumption; and many cart-

28. Furer-Haimendorf, *op. cit.*, p. 62.

29. William Wilson Hunter, *The Indian Empire, Its People, History and Products*. (London: W. H. Allen & Co., 1893), p. 691.

30. "Girdlestone Report", *op. cit.*, p. 12.

31. *Ibid.*, p. 13.

32. *Ibid.*, p. 10.

tracks cross the line from (the Indian) side, to lose themselves in the Nepal Tarai".³³ Bethri near the Nepal-India border in the western Tarai, may be considered to be a typical market on the Nepali side. Perceval Landon has given the following description of Bethri during the mid-1920s, and it may be correct to presume that conditions then had remained more or less unchanged since the last years of the nineteenth century.³⁴

During the summer the place is almost empty. Markets are held twice a year to which villagers come in from over a wide area. They bring in large quantities of rice, pulses, vegetables, and fruit, and barter them for the produce of the hills and of Tibet.

Two aspects of the Nepal-India border trade merit attention. Firstly, such trade belongs to the category of external trade only because of the accident of history. The Tarai region of Nepal actually forms a part of the northern Indian plains, and the southern boundary has no geographical divides. Exchange of essential commodities and local produce between inhabitants on either side of the boundary was, consequently, part and parcel of the traditional natural economy. Secondly, the trade was unorganized and dispersed. It was conducted by "a plurality of small and petty traders", rather than by "a wealthy few"³⁵ and was at times even conducted through barter. Consequently, it was a formidable task to impose and collect duties on such trade.

The other segment of Nepal's trade with India, which we have designated as national trade, can be described in less nebulous terms. It was for the most part conducted at specific markets and channelled along well-defined routes. In the context of the fiscal measures adopted by the Ranas to raise revenue from such trade, it may be helpful to divide Nepal's

33. Hunter, *op. cit.* p. 691.

34. Landon, *op. cit.*, vol. 2, p. 7.

35. From the Deputy Commissioner, Gonda, to the Commissioner Fyzabad Division, April 15, 1876, in 'Trade between British India and Nepal', (see n. 2 above), p. 14.

southern belt, adjoining India, into four main segments as follows : The Mechi-Kosi belt in the eastern region, the Kosi-Narayani belt in central Nepal, the Narayani-Arra belt in the far western region, and the Arra-Mahakali belt in the far west. A brief description of the principal markets and routes in each of these regions is given below.

In the Kosi-Mechi region of eastern Nepal, trade between Nepal and India passed through a number of centers which were traditionally known as *gola*, a term of north Indian origin which has been defined as "a grain or salt store or market; a place where it is sold wholesale."³⁶ *Golas* were essentially centers for transit of goods and were located at strategic points on the main trade routes leading from the hill and Himalayan regions to the southern plains. At the time of the commencement of Rana rule, there were at least ten *golas* which served as centers of Nepal-India trade, namely, Vijayapur, Letang, Ratuwa, and Raksa in Morang, Ambarpur, Tarkanha, Kashipur, and Laxmipur in Saptari, and Siswa and Sikharmadi in the Chaudandi hills of Majhikirat. There was also a central *gola* at Bhangaruwa in Saptari district, which was used as a transit point for exports to India.³⁷ The entire north-south trade in the eastern and far-eastern regions was channelled through these *golas*.

From the viewpoint of national trade, the central sector, located between the Kosi and Narayani rivers, was perhaps of the greatest importance. It accommodated the Kathmandu-Parsa route, which was Kathmandu's shortest link with India for both the national Nepal-India trade and the transit trade with Tibet. But notwithstanding its commercial importance,

36. H.H. Wilson, *A Glossary of Judicial and Revenue Terms and Useful Words Occurring in Official Documents Relating to the Administration of the Government of British India* (reprint of 1855 ed.; Delhi, Munshiram Manoharlal, 1965), p. 181.

37. Regmi, *The State and Economic Surplus*, pp. 200-1. The Bhangaruwa market had been started in 1809.

the route was left rough and undeveloped, because the nineteenth century rulers of Nepal attached more importance to security from external aggression than to the development of commerce. From Raxaul to Hetauda, "there is a rough cart-track" and from Hetauda to Bhimphedi "the road is good, and the streams have been bridged"³⁸ thanks to improvements made by Jung Bahadur between 1865 and 1870.³⁹ But beyond Bhimphedi, "the road is a mere pagdandi or footpath over the hills, impassable for laden beasts of burden."⁴⁰ In 1876, the British Resident, C. E. R. Girdlestone, reported that "the main route to Kathmandu" through Hetauda and Bhimphedi:⁴¹

....can in the dry weather be traversed by lightly-laden carts over the first low pass in the Chiriaghata hills and through Hetowra to BhimphediFrom Bhimphedi to Thankote, a distance of about 15 miles, two very steep and severe passes must be crossed.

He added,⁴²

The road for the ten miles between Thankote and Kathmandoo is fit for driving, but as there is hardly a cart in the valley, the coolies engaged at Bhimphedi carry their loads on to the capital. As far as Bhimphedi much of the traffic is conveyed by pack bullocks and ponies.

Moreover, the route lay for the most part through sparsely-populated villages and desolate terrain and touched few commercial centers. Hetauda was one of these centers. In

38. Daniel Wright, *History of Nepal* (reprint of 1877 ed.; Kathmandu : Nepal Antiquated Book Publishers 1972), p. 50.

39. *Ibid.*, p. 3.

40. *Ibid.*, p. 50.

41. "Girdlestone Report", *op. cit.*, p. 6.

42. *Loc. cit.*

1793, Kirkpatrick had described Heitauda as "but a miserable village, containing from fifty to sixty houses" even though, in his words, it was "a place of much occasional resort, on account of its being the centre of all the commerce carried in between Nepal and Viziers as well as the Company's western possessions." However, it was practically deserted during the monsoon.⁴³ According to Cavenagh, Hetauda was "a great emporium for trade, and during the cold seasons is a considerable village, but being considered one of the most unhealthy spots in the Tarai, from April to November is almost deserted."⁴⁴ Daniel Wright's account of Hetauda in 1877 shows that its condition remained unchanged in subsequent years.⁴⁵

The Narayani-Arra belt in western Nepal comprised several market-towns, including Butwal, Koilabas, and Captaingunj. Butwal was the most important of these towns. It was "a considerable mart" even during the early years of the nineteenth century, although it was "so dreadfully unhealthy, that no one resides there in the rainy season."⁴⁶ The town was "an important centre of traffic and transport from its position at the entrance of the long mountain trail that leads up to Muktinath and the Photu Pass" and was also "a natural halting-place" on the trans-Nepal route between India and Tibet,⁴⁷ with "a small and improving" trade in Indian cotton goods.⁴⁸

43. Kirkpatrick, *op. cit.*, p. 25.

44. Cavenagh, *Rough Notes on the State of Nepal* (Calcutta : W. Palmer & Co., 1851), p. 30.

45. Wright, *op. cit.*, p. 3.

46. Francis Buchanan Hamilton, *An Account of the Kingdom of Nepal*, (reprint of 1819 ed. : New Delhi : Manjusri Publishing House, 1971), p. 180.

47. Landon, *op. cit.*, vol. 2. p. 7.

48. "Girdlestone Report", *op. cit.*, p. 9.

In the far-western sector, trade between Nepal and India was conducted through a number of market-towns known as *mandis*. Brahmadeo-Mandi, in the Dadeldhura area of what was then the district of Doti, was the most important of these *mandis*. It was long known as "the great emporium for Tibetan produce",⁴⁹ for it served as the traditional outlet through which the products of Tibet, and of several hill and Himalayan areas of Nepal such as Doti, Achham, Bajura, Bajhang, Jumla, and Humla, reached the markets of India across the Mahakali river in the west.⁵⁰ Goods were transported "in small boats, which are scooped out of the trunks of trees".⁵¹ The trading season, however, lasted only for the dry months between October and May.⁵²

The far-western sector witnessed a dramatic change in the pattern of Nepal-India trade during the last decades of the nineteenth century. The reason was the relocation of the Nepal-India boundary in that sector after the far-western Tarai areas of Kailali, Kanchanpur, Banke, and Bardiya became a part of the Kingdom of Nepal in 1858. This event came in the aftermath of British India's annexation of the territories of Oudh. Nepal's boundaries in the far-western sector then became contiguous with one of the India's most populous and commercially-developed regions. In an attempt to take

49. Edwin T. Atkinson, *The Himalayan Districts of the North-Western Provinces of India* (Allahabad : North-Western Provinces and Oudh Government Press, 1884), vol. 2, p. 545.

50. Charles McDougal, *Village and Household Economy in Far Western Nepal*, (Kirtipur : Tribhuvan University, 1968), p. 7.

51. "Girdlestone Report", *op. cit.*, p. 3.

52. "Trade Outlets in Far-Western Nepal", *Regmi Research Series*, year 13, no. 11, November 1, 1981, p. 161.

advantage of the newly-gained proximity to the Indian market, Jung Bahadur established two new market-towns in the far-western sector, namely, Nepalgunj in Banke district, and Golaghat or Golamandi, which was shifted to Rajapur in Bardiya district in 1894.⁵³

Two sets of policies were adopted with the objective of developing these market-towns as the sole channels for Nepal-India trade in that sector. Firstly, restrictions were imposed on the movement of goods from the interior hill areas toward the south. In 1863, for instance, the inhabitants of Jajarkot, Salyan, Dang, Pyuthan and Udayapur, were allowed to take their produce only to Nepalgunj, Golaghat, and Brahmadeo-Mandi.⁵⁴ Secondly, local people were prohibited from taking their goods across the border for sale in Indian markets. According to Girdlestone :⁵⁵

The great marts of Nepal on the border of Oudh are Golamandi and Banki, alias NepalgunjThe policy of the Nepal Durbar is to force all hill produce to be brought to these placesand to be there sold, and after sale transferred to British subjects for despatch whithersoever they please.

It that policy was aimed at attracting trade in primary products from the adjoining market-towns in India to Nepalgunj

53. "Order to the Bardiya Mal Regarding Shifting of Golaghat Market to Rajapur", Ashadh Badi 3, 1954 (June 1897), *RRC*, vol. 61, pp. 70-85. The decision was initially taken on Marga Badi 1, 1951 (November 1894).

54. "The Nepalgunj Market", *Regmi Research Series*, year 5, no. 2, February 1, 1973, p. 35; "Order to Lt. Colonel Dalamardan Thapa Chhetri", Jestha Sudi 11, 1923 (June 1866), *RRC*, vol. 57, pp. 480-3.

55. "Girdlestone Report", *op. cit.*, p. 8. "Order to the Baitadi Gaunda Regarding Sale of Goods at Brahmadeo-Mandi", Bhadra Sudi 9, 1954 (August 1897), *RRC*, vol. 61, pp. 209-31.

and Golaghat, there seems little doubt that it met with a large measure of success. British official sources are unanimous in complaining that the "restrictive" policy followed by the government of Nepal had ruined the Indian markets. In Baharaich district, for instance, "the northern parts,...already sparsely populated, suffer, and the few bazaars which once flourished are now deserted or nearly so, and there seems no hope of reviving their former status."⁵⁶ In contrast, a British official who visited Golaghat in early 1876 found it "increasing in importance every year."⁵⁷ Nepalgunj, however, was a much more important center of trade. It soon developed into a bustling town with a growing population and a thriving trading community consisting mainly of Marwaris and other traders from India.⁵⁸ It may be noted that the Rana rulers imposed no such restrictions in other sectors. British sources, in fact, affirm that "the Nepalese resort freely to British markets" in the adjoining Indian districts of Purnea, Bhagalpore, Darbhanga, Muzaffarpur, Champaran, Gorakhpur, and Basti in the eastern, central, and western sectors.⁵⁹

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56. "From the Deputy Commissioner, Bahraich, to the Commissioner of Fyzabad", December 13, 1875, in "Trade between British India and Nepal" (see n. 2 above), *op. cit.*, p. 11.
57. "From the officiating Superintendent of Excise and Stamps Oudh, to the Junior Secretary to the Chief Commissioner of Oudh", May 11, 1876, *Ibid.*, p. 24.
58. "...In a very short time, Banki had become the chief commercial centre of Western Nepal and the inhabitants of the neighbourhood, who formerly traded with Nanpara in British territory, were attracted to this new business mart nearer home", Pudma Jung Bahadur Rana, *Life of Maharaja Sir Jung Bahadur Rana of Nepal* (reprint of 1909 ed. : Kathmandu : Ratna Pustak Bhandar, 1974), p. 256; Mahesh C. Regmi, "The Impact of India's Railway System on Nepal's Economy during the Closing years of the 19th Century", *Regmi Research Series*, year 15, no. 5, May 1983, pp. 72-6.
59. "Girdlestone Report", *op. cit.*, pp. 8-9.

Composition of Nepal-India Trade

Nepal's trade with India has traditionally comprised the major segment of its external trade. The reasons are easy to explain, and owe their origin mainly to geographical proximity. Indeed, India was the market for a wide variety of agricultural, mineral, and forest products from all the geographical regions of the Kingdom. Such commodities as chares, musk, hawk and horses from the Himalayan region, and cotton, cardamom, medicinal herbs, and metal goods from the hill region, had long had a traditional market in India. However, pride of place in Nepal's export trade with India was occupied by the agricultural and forest products of the Tarai region, particularly foodgrains, pulses, oilseeds, and timber. Indeed, approximately half of Nepal's exports to India consisted of foodgrains grown in the Tarai region. British sources of the 1870s refer to the "enormous rice traffic from the Nepal Tarai"⁶⁰ and the "large and important" trade in timber.⁶¹ Tobacco, ghee, and hides and skins were other commodities exported from the Tarai region to India, whose importance increased considerably during the closing years of the nineteenth century.

Opium emerged as a new item in Nepal's export trade with India during the middle of the nineteenth century. Its cultivation in the eastern and central Tarai region had started during the late 1840s,⁶² possibly as a spillover of the spurt in

60. Government of India, *Report of the Administration of Bengal, 1873-74*. (Calcutta : Bengal Secretariat Press, 1875), p. 127.

61. W. W. Hunter, *A Statistical Account of Bengal*, vol. XIII : *Tirhut and Champaran* (London : Trubner & Co., 1877), p. 162.

62. There is no evidence that opium was produced on a commercial scale in the Tarai region of Nepal during the early nineteenth century (Mahesh C. Regmi, *The State and Economic Surplus*, pp. 218-21). Indeed, the commodity was actually smuggled from India for reexport to Tibet. Brian H. Hodgson, "On the Commerce of Nepal", in *Essays on the Languages, Literature and Religion of Nepal and Tibet*

India's opium exports to China in the aftermath of the Opium War (1840-42). Opium cultivation seems to have been popular among the farmers of that region because it was more profitable than rice and also because it could be grown along with such other crops as maize, millets, and safflower.⁶³ In an attempt to absorb a part of the profits, the Rana government imposed a monopoly on exports, as we shall discuss in a subsequent chapter. However, the monopoly proved unworkable within a few years and seems to have been abolished. Cultivators were then left "free to raise and sell it as they please".⁶⁴ During the early 1880s, opium growers from the Nepali side were encouraged to bring in their products for sale directly to government depots in British Indian territory.⁶⁵ British sources claimed that "the Nepal cultivators are reported to be well satisfied with the present arrangements, under which the opium is received direct from the Nepalese raiyats and paid under the conditions which apply to cultivators in British territory."⁶⁶ Such free exports of opium reached their peak of 628 maunds in 1883-84,⁶⁷ but declined to a mere 271 maunds in 1900-1.⁶⁸

(Reprint of 1874 ed.; New Delhi : Manjusri Publishing House. 1972), p. 109.

63. Girish Misra, *Agrarian Problems of Permanent Settlement* (New Delhi : People's Publishing House, 1978) pp. 81-2.

64. "Girdlestone Report", *op cit.*, p. 12.

65. Government of India, *Report of the Administration of Bengal 1880-81* (Calcutta: Bengal Secretariat Press, 1882), p. 340.

66. Government of India, *Report of the Administration of Bengal, 1893-94.* (Calcutta, Bengal Secretariat Press, 1895) p. 282.

67. Government of India, *Report of the Administration of Bengal, 1883-84* (Calcutta : Bengal Secretariat Press, 1885), p. 276.

68. Government of India, *Report of the Administration of Bengal, 1900-1901* (Calcutta : Bengal Secretariat Press, 1902), p. 180.

The last quarter of the nineteenth century also witnessed the emergence of saltpeter as an item of export to India, whereas previously almost the entire output was procured under a compulsory basis to meet the requirements of local gunpower factories and exports were banned.⁶⁹ In 1878-79, exports of saltpeter amounted to about 35,205 maunds worth Rs 281,640. The figure dwindled to 5985 maunds worth Rs 47,880 in 1882-83, but again increased to 21,303 maunds worth Rs 132,169 in the last year of the nineteenth century.⁷⁰

The list of Nepal's imports of Indian goods during the early part of the nineteenth century is long and varied, and since most of the items as reported by British observers were luxuries meant for consumption by a handful of affluent families mainly in Kathmandu Valley, a bare enumeration would give a disproportionate idea of their relative importance in quantitative terms. Nineteenth-century Nepal imported few commodities from India for mass consumption. Indeed, cotton and cotton goods, salt, sheep, goats, and buffaloes⁷¹ seem to exhaust the list of necessities imported from India. India was also the channel through which Kathmandu obtained its supply of British goods, particularly textiles. During the 1830's, Hodgson observed that in Kathmandu Valley, "the whole of the middle and upper classes are clad in foreign cottons"⁷² and Campbell boasted that "at present a large proportion of the people of Nepal are clothed by the produce of our looms, English and Indian"⁷³ About half a century

69. Mahesh C. Regmi, *The State and Economic Surplus*, pp. 182-4.

70. "Saltpeter Exports to India", *Regmi Research Series*, year 13, no. 10, October 1, 1981, p. 147.

72. Cavenagh, *op. cit.*, p. 80; "Girdlestone Report", *op. cit.* p 44.

72. Hodgson, *op. cit.*, 107.

73. A Campbell, "Principal Transactions and Early Intercourse" 1834, in "Stiller Typescript", a typescript of Reel Three of the microfilms preserved at the Tribhuvan University

later, Girdlestone noted that "European piece goods contribute largely to the import trade" of Nepal.⁷⁴ He estimated the total value of such imports at about Rs 1 million, consumed mainly by "the higher classes, who congregate at or near the capital (a moderate amount going on to Lhasa)".⁷⁵

The latter part of the nineteenth century witnessed a growing import trade in metals and metal goods, particularly copper and copper goods, precipitated by the Kingdom's declining output of the metal. In 1851, Cavenagh's list of metal imports mentioned only lead, zinc, tin, and pewter,⁷⁶ but no copper. During the mid-1860s, however, the government procured sheet copper from Calcutta for minting coins and producing munitions,⁷⁷ probably for the first time. A quarter-century later, Girdlestone listed sheet copper, and copper and brass utensils as among the chief items "in the

Library of documents in the Archives of India, vol. 2, June 1973, p. 64; Oldfield, *op. cit.* pp. 303-44. Oldfield, referring to the increased volume of commerce after the 1814-16 Nepal-Britain War, noted that "it especially affected the importation of English and European articles to the exclusion of those of China and Tibet". He added, "Bhim Seen and the Chiefs generally, showed a growing inclination for British luxuries and customs". The trend continued during the early Rana Period. Mahesh C. Regmi, *Thatched Huts and Stucco Palaces; Peasants and Landlords in 19th Century Nepal*, (New Delhi, Vikas Publishing House Pvt. Ltd., 1978), p. 157.

74. "Girdlestone Report", *op. cit.*, p. 38.

75. *Ibid.*, p. 32.

76. Cavenagh, *op. cit.*, p. 80.

77. "Order to the Jangi Megjin Regarding Minting of Copper Coins", *Jestha Badi* 3, 1923 (May 1866), *RRC*, vol. 57, pp. 560-4. "Order to Sahu Harsha Narayan and Others Regarding Import of Iron, Copper, and other Metals"

through trade between Nepal and the great centers in British territory”⁷⁸ Household utensils made of copper, brass and bell-metal were also being imported into the hill districts by the end of the nineteenth century.⁷⁹

Nepal also started importing from India several new items of mass consumption, such as salt and kerosene. The hill regions of Nepal were traditionally dependent on Tibet for the supply of salt, as already noted at the beginning of this chapter. The Nepal-Tibet war caused some dislocation in salt imports from Tibet, hence Jung Bahadur encouraged imports from India in order to mitigate possible shortages.⁸⁰ The impact of that step seems to have outlasted the war. To be sure, Tibetan salt was cheaper and so more popular than Indian salt. During the mid--1870s, for instance, according to British sources, “the unrefined Tibet salt sells in Kathmandoo at about 6 1/2 seers for the (East India) Company’s rupee, and Sambhur and Lahore rock salt (from India) at about three seers.”⁸¹ Consequently, “there is hardly any demand for the British salts in the interior of Nepal.”⁸¹ However, the reorganization of India’s salt industry during the early 1870s, particularly, the take-over of the *sambhar* salt lakes in Rajputana by the British Indian government,⁸² made Indian salt slightly cheaper

Poush Badi 9, 1926 (December 1869), in Krishna Kant Adhikari, *Nepal under Jang Bahadur 1846-1877* Kathmandu: “Buku,” 1984), pp. 199–200.

78. “Girdlestone Report”, *op. cit.*, p. 11.

79. “Order Regarding Customs Tariff Schedule for Butwal and Other Places”, Baisakh Badi 9, 1950 (April 1893), *RRC*, vol. 89, pp. 705–17.

80. “The Salt Trade During the Nepal-Tibet War”, *Regmi Research Series*, year 16, no, 2, February 1984, pp. 17–18.

81. “Girdlestone Report”, *op. cit.*, p. 38.

82. Romesh Dutt, *The Economic History of India* (reprint: Delhi: Publications Division, Ministry of Information

than Tibetan salt in Kathmandu. Around 1900, for instance, Tibetan salt was sold at 5.5 manas a rupee in Kathmandu, and *sambhar* salt at 5.75 manas.⁸³ *Sambar* salt eventually became a household word in Kathmandu, although in the interior hill areas it seems to have generally been considered unhealthy and consumed more by cattle than by human beings.⁸⁴ Kerosene similarly came into gradual use for domestic lighting. Petroleum production started in India on a commercial scale during the late 1880s⁸⁵ and Nepal appears to have started importing kerosene not long thereafter. The 1893 customs tariff schedule for the Butwal sector lists it as one of the items in Nepal's import trade with India.⁸⁶ The commodity soon became so popular that even the royal household appears to have started using kerosene as a partial substitute for the traditional wax candles.⁸⁷

Cart-Tracks, Waterways and Railroads

These changes in the pattern of Nepal-India trade synchronized with equally far-reaching changes in the transport system. Local trade between Nepal and India was usually carried in headloads. Over longer distances, "carts are the usual form of conveyance, but pack animals, buffaloes,

and Broadcasting, Government of India, 1963), vol. 2, p. 383.

83. "Ijara Grant to Ganesh Das Ratna Das for Supply of Commodities", *Marga Badi* 11, 1957 (November 1900), *RRC*, vol. 70, pp. 630-46.

84. Bhim Bahadur Pande, *Tyas Bakhatko Nepal* (Nepal In Those Times); Kathmandu: Center for Nepal and Asian Studies, 2039/1982), pt. 1, p. 15.

85. D.R. Gadgil, *The Industrial Evolution of India in Recent Times, 1860-1939* (Bombay: Oxford University Press, 1971), p. 112.

86. 'Order Regarding Customs Tariff Schedule for Butwal...' (see no. 79 above).

87. "Ijara Grant to Ganesh Das Ratna Das..." (see no. 83 above).

ponies and bullocks are often seen to carry salt, grain, and tobacco.”⁸⁸ The absence of allweather roads was a chronic and formidable problem. The following observation made by a British official for the far-western sector may be regarded as an accurate assessment of the situation that prevailed all along the 500 miles long border between Nepal and India.⁸⁹

Cart tracks meander here and there through wastes of grass or over a sparsely cultivated plain. Bridle-paths connect the scattered villages. But main lines of road, such as civilization knows are not to be found.

In fact, the general situation was that “the roads, which are good in British territory, degenerate into tracks across the borders, but carts and pack animals are commonly used to the foot of the hills.”⁹⁰

The early Rana rulers seem to have been reluctant to spend money on the construction of roads in the Tarai region mainly because of lack of money and the difficulty of constructing all-weather roads in the lowlands of that region.⁹¹ Existing cart tracks were, therefore, “more or less repaired by the traders themselves, that is, that any great obstructions would be cleared away.”⁹² Indeed, traders in some cases even renovated temporary bridges at their own expense.⁹³ In 1880, Prime Minister Ranoddip Simha ordered *Chaudharis* and *Jimidars* in all districts of the Tarai region to construct and

88. “Girdlestone Report”; *op. cit.*, p. 3.

89. *Ibid.*, p. 10.

90. *Ibid.*, p. 6.

91. Jahar Sen, *op. cit.*, p. 63.

92. “From the Deputy Commissioner, Kheri, to the Commissioner, Sitapur Division, April 6, 1876, in “Trade Between British India and Nepal”, (see no. 2 above).

93. “Order to the Karnali-Dwar Kathmahal Regarding Sale of Timber to Gaya Prasad Tiwari”, Magh Badi 2, 1942 (January 1886), *RRC*, vol. 82, pp. 577-82.

improve tracks through the labor of the local people.⁹⁴ There seems little evidence, however, that such constructions and improvements, if any, lasted the first monsoon.

Despite the poor state of transport facilities within Nepal, much trade was conducted with India by waterway. Most of the major rivers of the Kingdom, such as the Kosi, the Gandak, and the Rapti, and their numerous tributaries, were used for that purpose. These waterways were used mostly for the transportation of timber from forests in the interior areas to centers near the Nepal-India border, from where it was exported to India. They were also used for the export of rice, timber, and other bulky commodities to different destinations in India, including Patna, Mirzapur, and Calcutta.⁹⁵ The far-western sector, however, seems to have been relatively undeveloped in the field of river navigation. As the British Resident, C. E. R. Girdlestone, reported in 1876, "no traffic is carried by water" in that sector.⁹⁶ Rather, timber was carted to the places where it was sold, or else to ferrypoints on rivers on the Indian side of the border.⁹⁷ Only during the closing years of the nineteenth century were efforts made to develop the Karnali river and some of its tributaries as inland waterways for the transportation of timber.⁹⁸

94. "Order to the Beni Hulak-Ghar Adda," Chaitra Badi 4, 1936 (March 1880), *RRC*, vol. 82, pp. 679-85.

95. "Girdlestone Report", *op. cit.*, pp. 4-7; Jahar Sen, *op. cit.* pp. 63-70; Mahesh C. Regmi, *The State and Economic Surplus*, pp. 116-7.

96. "Girdlestone Report", *op. cit.*, p. 3.

97. "From the Conservator of Forests, Oudh, to the Junior Secretary to the Chief Commissioner of Oudh", March 28 1876, in "Trade between British India and Nepal" (see n. 2 above), p. 20.

98. In 1896, Bir Shumshere procured the services of a British engineer for technical advice in removing obstructions on the Karnali river to facilitate the timber export trade.

River navigation, however, had several drawbacks, for it was neither regular nor dependable. Navigation was risky during the monsoon, whereas during the dry season rivers lacked sufficient water and so could not accommodate large boats. On the Gandak river, for instance:⁹⁹

There is water enough for (boats up to 350 maunds) during the rains, and when the snow is melting, but navigation at such times is dangerous and rare on account of the rapid currents or the mass of large timber in the stream. In the dry season there is difficulty in getting a boat of 100 maunds over the shallows.

Similarly, not all branches of the Kosi river were navigable all the year round. Toward Saptari, for instance, during the dry season the river lacked sufficient water for the transportation of timber to destinations in India.¹⁰⁰

It is scarcely surprising, therefore, that the importance of river navigation in Nepal-India trade started declining after the development of India's railroad system. During the last decades of the nineteenth century; the system was extended to a number of towns on the border athwart important outlets of trade on

“Order to the Banke Mal Regarding Procurement of Provisions for Captain Russell”, 1953 (1896), *RRC*, vol. 76, pp. 34-42. The next year, another scheme was launched to clear the river of driftwood and increase its flow by damming a branch toward the Geruwa river for facilitating transportation of timber from Chisapani to Rajapur. “Order to Bandal-Dwar Kathmahal Regarding Export of Timber”, Aswin Badi..., 1954 (September 1897), *RRC*, vol. 76, pp. 306-21.

99. “Girdlestone Report”, *op. cit.*, p. 5

100. “Order to the Hanumannagar Mal Regarding Expenses for Transportation of Timber”, Ashadh Badi 30, 1954 (June 1897), *RRC*, vol. 71 pp. 539-49.

the Nepali side.¹⁰¹ In 1885 the Bengal and North-western Railway Company opened a branch line to Nepalgunj Road on the Indian side of the border near Nepalgunj in Banke district in the far-western Tarai region of Nepal. About five years later, in 1890 the Assam-Bihar State Railway opened its Purnea section from Kusba to Forbesgunj, adjoining the market town of Rangeli in Morang district of the eastern Tarai region of Nepal. However, the development of railroad facilities in the central Tarai region had to wait until the last years of the nineteenth century. Jayanagar (India), adjoining the town of Janakpur in Nepal, and Raxaul (India) adjoining Birgunj in Nepal, were connected only in 1897 and 1898 respectively. Thanks to those railroad connections, it now became possible to transport Nepal's exports by boat or ox-cart up to the nearest Indian railroad terminus and then by railroad to different destinations in India.

Railroads possessed a number of advantages which waterways, lacked. In particular, they operated in all seasons and were also safer. Moreover, commodities could be transported even in small consignments by railroad. Inevitably, therefore, according to one British source, "the great revolution effected by the railway has been accompanied by practical abandonment of the rivers."¹⁰² However, the impact was by no means uniform in all sectors. Presumably because they were cheaper, river transport facilities often continued to be used long after railroad facilities became available. In the central sector, for instance, a British source noted during the early years of the twentieth century:¹⁰³

The bulk of the trade passes through Raxaul, the terminus of the Sugauli-Raxaul branch railway. The railways are

101. Information contained in this paragraph has been obtained from Jahar Sen, *op. cit.*, pp. 70-9.

102. *Ibid.*, p. 77.

103. Government of India, *The Imperial Gazetteer of India* (Oxford: Clarendon Press, 1908), vol. X, p. 143.

— the main arteries of commerce, but the Gandak and the Burhi Gandak also carry much traffic.

Moreover-river transport continued to play an important role in the movement of commodities in the interior areas to railroad stations on the Nepal-India border.

Thanks to the availability of railroad facilities, the commercial importance of existing towns on the Nepal-India border, particularly Nepalgunj, increased almost overnight. In the central sector, the Nepali border market town athwart the Indian railroad terminus at Raxaul was rebuilt and renamed as Birgunj, obviously after Prime Minister Bir Shumshere. Birgunj gradually attained the status of a gateway to Kathmandu for both trade and human traffic.¹⁰⁴

The adverse consequences of the development of India's railroad system on Nepal's economy should also be noted. Employment opportunities in the manufacture of boats and in river navigation declined, and railroad freight charges increased the costs of Nepal's exports. The extension of India's railroad system to the borders of Nepal pushed the country deeper into the vortex of India's growing economy. It also deprived Nepal of an alternative outlet to the sea, thereby further accentuating the constraints imposed by its landlocked situation.

Statistics of Nepal-India Trade

Thanks to the development of railroad facilities, and also the quickening pace of industrial development in India, which increased the demand for Nepal's primary products, the volume of Nepal's export trade with India seems to have grown on a significant scale during the last quarter of the nineteenth century. The import trade with India similarly expanded, for India was the source through which metals, textiles, and other products of modern industry, both British and Indian, reached the markets of Nepal. Indeed, the scale on

104. "Birgunj Bazaar," *Regmi Research Series*, year 13, no. 9, September 1, 1981, pp. 135-7.

which Nepal-India trade expanded during that period seems to have been more than sufficient to offset the declining importance of the transit trade with Tibet and the virtual stagnation of the Himalayan border trade.

It is possible to discuss this growth of Nepal-India trade in statistical terms, for during the period from 1875 to 1880, the British Indian government established a number of stations along the Nepal-India border to register trade between the two countries.¹⁰⁵ Although statistics of import and export trade compiled by these stations have been described as inaccurate and incomplete,¹⁰⁶ they do give "a fair basis for a comparison of its fluctuations from year to year."¹⁰⁷ Statistics for the eastern and central sectors comprising trade with Bengal, and the western and far-western sectors comprising trade with Oudh and the North-Western Provinces of India, are given in the following tables:¹⁰⁸

Table 5 : Nepal-India Trade In The Eastern And Central Sectors, 1880-1900

	In Million Rs.		
	1880-81	1890-91	1899-1900
Exports	10.3	12.4	16.9
Imports	5.6	6.9	11.5

Table 6 : Nepal-India Trade In The Western And Far-Western Sectors 1880-1901

	1880-81	1890-91	1900-01
Exports	5.7	5.9	8.1
Imports	3.2	3.4	4.3

105. "Trade between British India and Nepal" (no. 2 above),

106. Jahar Sen, *op. cit.*, p. 88.

107. *Ibid.*, p. 193.

108. *Ibid.* , pp. 143-44.

These statistics show that in the eastern and central sectors, during the twenty-year period after 1880-81, exports increased by 64 percent, while imports increased by 105.3. Nevertheless, the balance in Nepal's favour increased from Rs. 4.7 million to Rs. 5.4 million, or 14.8 percent. In the western and far-western sectors, exports increased by 42.1 percent while imports increased by 34.3 percent only. The balance in favor of Nepal thus increased from Rs. 2.5 million in 1880-81 to Rs. 3.8 million in 1900-01, that is, by 52 percent. The volume of registered Nepal-India trade in all sectors thus increased from Rs. 24.8 million to Rs. 40.8 million, that is, by 64.5 percent, while the balance in Nepal's favor increased from Rs. 7.2 million to Rs. 9.2 million, that is, by 27.7 percent.

Concluding Remarks

Decline in the transit trade with Tibet through Kathmandu, a state of stagnation in the Himalayan border trade, and a steep increase in the volume of both import and export trade with India with a concomitant impact on the volume of internal trade, are thus the main highlights of Nepal's commercial system during the latter part of the nineteenth century. The significance of these trends in the context of commercial revenue is obvious. Any increase in the volume of commercial revenue that the early Rana rulers were able to achieve was mainly due to the growth of Nepal-India trade. Rana policies and programs aimed at maximizing commercial revenue through taxation and state intervention in trade will be discussed in the next two chapters.

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CHAPTER IX

Commercial Taxation

Having discussed the general pattern of Nepal's internal and external trade in Chapter 8, we have now set the stage for discussion of the chief methods through which the state collected revenue from that source. Chapter 2 had identified these methods as commercial taxation and state intervention in trade. The general characteristics of the commercial tax system, the chief categories of commercial taxes, and developments during the early Rana period will form the subject-matter of the present chapter, while state intervention in trade will be discussed in Chapter 10.

For the purpose of this discussion, commercial taxes will be defined as taxes levied on the movement, sale, export, and import of commodities. Such taxes were aimed at raising revenue from the merchant class, whose earnings were left largely untouched by the system of agrarian taxation described in Chapter 4. A discussion of the commercial tax system in nineteenth century Nepal is, however, a formidable task. The reason is that it is not possible to present a broad, coherent picture of the system in the Kingdom as a whole. The commercial taxes that were collected in different parts of the Kingdom, can, of course, be classified into a few broad categories, but there was no standard form, level, or procedure of assessment

and collection. There seems little point in making an attempt to trace the reasons for such diversity. The previous chapters have underlined how diversity rather than uniformity remained a characteristic feature of the fiscal system throughout the century. We shall, therefore, discuss separately the systems followed in different regions of the Kingdom, and thereafter outline the changes that were introduced during the early Rana period.

Commercial Tax Revenue

We shall begin with a few general observations on the role of the commercial tax revenue in the overall fiscal system at the middle of the nineteenth century and the institutional and other factors that traditionally circumscribed that role. In 1851, as mentioned in Chapter 2, the revenue receipts of the central treasury at Kathmandu totalled Rs 1,415,602, of which Rs. 134,514 or 9.5 percent, can be directly attributed to commercial taxation. The breakdown is as follows :

Table 7 : Commercial Tax Revenue, 1851¹

Sources	Amount
1. Internal duties in the Central hill region	Rs. 92,001
2. Duties on Kathmandu-India trade	Rs. 8,000
3. Duties on Kathmandu-Tibet trade	Rs. 8,001
4. Commercial taxes in Brahmadeo-Mandi	Rs. 26,512
Total :	Rs. 134,514

There is evidence to believe, however, that the actual yield of commercial taxation was much in excess of its contribution to the central treasury as listed in this table. How else can one explain the fact that the central hill region alone

1. Compiled from "Revenue and Expenditure of the Government of Nepal", 1908 (1851), *Regmi Research Collection*, (RRC) (Miscellaneous).

contributed a sum of Rs. 108,002 out of a total commercial tax revenue of Rs. 134,514, or as much as 80.29 percent? Or that duties on internal trade in that region contributed as much as Rs. 92,001, or 68.39 percent of the total commercial tax revenue, leaving only Rs. 42,513, or 31.6 percent, as the share contributed by the more extensive external trade with India and Tibet?

The low commercial tax receipts of the central treasury may be attributed to at least two factors. In the first place, the geographical condition of the Kingdom made collection of commercial taxes a difficult task and facilitated smuggling and the consequent loss of revenue. Commercial taxes, according to one study, "can only be collected cheaply and efficiently if there is a large volume of trade that passess, and can be relied on to pass, a few specified point at which tax will be paid."² The same study emphasises that "the opportunities for this depend on geography"³. Landlocked Nepal possessed few such opportunities, and the situation was worse during the nineteenth century; particularly in respect to trade with India. The few routes through which Nepal's trade was traditionally conducted with Tibet were determined by geography, but there are no comparable constraints on trade with India. The southern border has, consequently, been a smugglers' paradise over the centuries.

The second constraint on the commercial tax receipts of the central treasury owed its origin to the *jagir* system. *Jagir* had been defined in Chapter 2 as a system under which sources of revenue, including commercial taxes, were assigned to government employees and functionaries in lieu of cash salaries. Such assignments naturally reduced the amount of commercial tax revenue that would otherwise have been credited to the central treasury. For example, revenue collected from commercial taxes and other sources under the *thek-*

2. John Hicks, *The Theory of Economic History* (Oxford : Oxford University Press, 1969), p. 82.

3. *Loc. cit.*

thiti system in the far-eastern and far-western hill regions were invariably assigned to *jagirdars*. Consequently, revenue collected from duties on the Himalayan border trade in those region usually did not reach the central treasury.

To be sure, important centers of both internal and external trade which yielded the major portion of commercial tax revenue remained wholly under the government's administrative control. These included the central hill region and the eastern and central Tarai. In particular, the transit trade between northern India and Tibet through Kathmandu Valley and, more important, trade with India, both local and national, were not subject to infra-state jurisdiction of any category. However, the government lacked an administrative machinery at the local level to collect commercial taxes in those regions; hence it took recourse to the traditional *ijara* system for the purpose. *Ijaras* were of two main categories. The first category consisted of territorial *ijaras*, that is, *ijaras* for the collection of all existing sources of revenue, including commercial taxes, from any specified area, while *ijaras* of the second category were issued for the collection of revenue from a specified commercial tax or other source in any specified area. The commercial tax component of payments made to the central treasury under territorial *ijaras* cannot be identified. For instance, *ijara* payments from Bhadgaun town in 1851, amounting to Rs 13,501, have been included in revenue from "other sources" in Table 1 of Chapter 3 even though commercial taxes formed part and parcel of the *ijaradar's* fiscal jurisdiction. There is also reason to believe that the *ijara* system had a detrimental impact on the government's capability to maximize revenue from commercial taxes, its apparent advantages in ensuring a steady flow of revenue to the central treasury without any administrative effort on the part of the government notwithstanding. To be sure, *ijara* possessed an element of competition, but political and economic conditions during the early years of the nineteenth century

were hardly congenial to enterprise and a spirit of competition. Consequently, bidding was usually restricted to local individuals and the government had perforce to remain content with what it could get if only its fiscal authority over the concerned source of revenue remained in actual force.

We may conclude this section with a reference to an important aspect of the commercial tax system that left this source of revenue virtually inflexible and even stagnant throughout the nineteenth century. This aspect concerns the custom-ridden character of the system. Indeed, the form and level of the commercial taxes collected in different regions were determined primarily by custom rather than by any consideration of the state's need for revenues, or the revenue potential of any particular commercial tax. Consequently, they more or less remained unchanged for long periods of time, ignoring occasional minor modifications in the light of administrative exigencies. Any changes in the amount of commercial tax revenue were mainly due to changes in the volume of trade, rather than in the structure of the commercial tax system or in the rates of commercial taxes. To be sure, many examples can also be cited in which the rates of commercial taxes were prescribed from Kathmandu. Such exceptions only underline the custom-based character of the commercial tax system in general, the objective being nothing else than to give official confirmation to customary rates in order to check extortion and forestall public dissatisfaction. At times, commercial taxes were collected at rates mutually agreed upon by traders and local revenue functionaries. In 1839, for instance, the rates of customs duties on Nepal-Tibet trade through Dana were finalized through consultations among traders, revenue functionaries, and local headmen. The government played no role in the negotiation but reconfirmed the arrangement about twelve years later with the caveat that "goods shall not be held up in violation of customary procedures."⁴

4. "Order Regarding Customs Duties at Dana", Falgun Sudi 12, 1907 (February 1851), *Regmi Research Collection*, vol. 81, pp. 80-81.

Against the background of these observations we shall now present explanations of the sources of commercial tax revenue listed in Table 7.

Internal Duties in the Central Hill Region

Commercial taxes collected in the hill areas of the central sector included transit duties known as *kapas*, *kirana* and *bhainsi*, and a tax on sales, known as *nirkhi*. *Kapas* originally denoted duties on raw cotton supplied from the hill region to Kathmandu Valley and the southern plains.⁵ By the middle of the nineteenth century, the ambit of *kapas* taxation had been extended to a wide variety of commercial goods in addition to cotton and cotton goods. They included yak-tails, medicinal herbs and drugs, spices, paper, wax, musk, metals and metal goods, elephants, horses and hawks, goats, buffaloes, silk and woolen textiles, dry fruits, indigo, and ghee and oil.⁶ Almost all these goods were simultaneously liable to pay *kirana* duties, *kirana* being the north Indian term for such commodities as "tea, sugar, spices, aromatics, almonds, raisins, cocoa, pistachio, nuts, indigo, vermilion, alum, and various medicinal and dying (sic) drugs."⁷ *Bhainsi* duties were collected on buffaloes alone and limited to Kathmandu Valley, with the exception of the town of Thimi, and to Palpa in the western hill region. Finally, the *nirkhi* tax was collected from the vendor when

5. "Royal Orders Regarding Ijara Grant to Harihar Singh Newar for Collection of Kapas Duties", Magh Sudi 12, 1860 (January 1804), *RRC*, vol. 5, pp. 456-7.
6. "Official Statement of all the Custom and Transit Duties ...", October 3, 1839, in C. V. Aitchison, *A Collection of Treaties, Engagements, and Sunnuds Relating to India and Neighbouring Countries* (Calcutta : Bengal Printing Company Limited, 1863), vol. 2, pp. 214-7).
7. H. H. Wilson, *A Glossary of Judicial and Revenue Terms, and Useful Words Occurring in Official Documents Relating to the Administration of British India*, (reprint of 1855 ed.; Delhi : Munshiram Manoharlal, 1968), p. 290.

specified commodities were sold in the markets of the central hill region,⁸ *nirkhi* being a north Indian term of Persian origin denoting "the market rate or price".⁹ The *nirkhi* tax had a long history. During the late eighteenth century, it seems to have been collected in Kathmandu Valley and the adjoining hill areas,¹⁰ as well as in the eastern Tarai districts,¹¹ at the rate of 1 percent *ad valorem* each from both the vendor and the purchaser. However, the tax was abolished soon thereafter, presumably because of administrative problems. Financial problems created by the renewed campaign of military conquest on the western front impelled Kathmandu to revive it in 1805. Areas covered by that measure included the whole of the central hill region, with the exception of some areas in the west, such as Palpa, Gulmi, Argha, and Khanchi.¹²

The *kapas*, *kirana*, and *nirkhi* taxes had an overlapping coverage in respect to several items. That is to say, the same commodity was liable to pay most or all of these taxes. These taxes also had an importance in the commercial tax system much beyond what their limitation within the boundaries of the central hill region suggests. The bulk of the Kingdom's

8. Definitions of the terms *kapas*, *bhainsi*, *kirana* and *nirkhi* are based on Mahesh C. Regmi, *The State and Economic Surplus: Production, Trade, and Resource-Mobilization in Early 19th Century Nepal*, (Varanasi: Nath Publishing House, 1984), pp. 151-2.

9. Wilson, *op. cit.*, p. 379.

10. "Ijara Grant to Chhote Singh Newar for Collection of Nirkhi Tax", Shrawan Badi 3, 1855 (July 1798), *RRC*, vol. 24, pp. 654-6.

11. "Regulations Regarding Collection of Miscellaneous Taxes in the Eastern Tarai Districts", Falgun Badi 5, 1855 (February 1799), sec. 7, *RRC*, vol. 24, pp. 703-5.

12. "Royal Order Regarding Imposition of Nirkhi Tax", Bhadra Badi 9, 1862 (August 1805), *RRC*, vol. 19, pp. 227-8.

imports from India, including those meant for reexport to Tibet, passed through Kathmandu Valley and were therefore, liable to pay all these taxes, in addition to customs duties. The following table gives a breakdown of revenue amounting to Rs. 92,001 from internal duties in the central hill region in 1851 :¹³

Table 8 : Revenue from Internal Duties in the Central Hill Region, 1851

Source	Amount
Kapas	Rs. 15,000
Kirana	Rs. 50,001
Bhainsi	Rs. 14,000
Nirkhi	Rs. 13,000
Total :	Rs. 92,001

Commercial Taxes on Kathmandu-India Trade

(a) The Central Sector

Before the commencement of Rana rule, the rates of customs duties on Nepal-India trade do not appear to have been officially prescribed in any sector. To be sure, an imminent Chinese invasion in 1792 had led the government of Nepal to sign a commercial treaty with the East India Company government in the hope of military aid providing that "2. 1/2 percent shall reciprocally be taken, as duty, on the imports from both countries."¹⁴ However, the provision was never actually enforced and there were persistent complaints from the Indian side that Nepal was collecting duties at much higher rates.¹⁵

13. "Revenue and Expenditure...1851 (see no. 1 above).

14. Aitchison, *op. cit.*, vol. 2, p. 196.

15. Ramakant, *Indo-Nepalese Relations, 1816 to 1877* (Delhi : S. Chand & Co., 1968), p. 120, "From C. E. R. Girdlestone, Esq. C. S., Resident in Nepal to T. H. Thornton, Esq., D. S. L. Offg. Secy. to the Government of India, Foreign Department", September 19, 1876, in "Trade Between

In the turmoil that followed Prime Minister Bhimsen Thapa's fall from power, the British India government succeeded in persuading the government of Nepal in late 1839 to stipulate that "an authentic statement of duties leviable in Nepal shall be delivered to the (British) Resident (at Kathmandu), and that hereafter unauthorised imposts not entered in this list shall not be levied on British subject."¹⁶ The statement that the Nepali side forwarded to the British Resident in accordance with that stipulation mentioned not only the basic customs duty, known as *sair*, but also such internal duties as *kapas*, *kirana*, *bhainsi* and *nirkhi*. Two points must be noted in respect to this statement. Firstly, it was applicable only to Nepal-India trade in the central sector. As the British Resident in Kathmandu, C.E. Girdlestone, pointed out about four decades later, "In this engagement Nepal evidently meant Nepal proper and the way thither, not all the territories of the Maharaj Dhiraj of Nepal."¹⁷ Secondly, the statement merely listed the rates in current force and should by no means be regarded as having been officially prescribed by the government. Indeed, there is no evidence that *ijaradars* through whom such duties were invariably collected were ever officially directed to collect duties at those rates.

Duties on Nepal-India trade in the central sector, on a few select items, as listed in the 1839 statement, are given in the following tables.¹⁸

British India and Nepal", Foreign Department (Revenue A) Consultations, No. 13, National Archives of India, New Delhi, cited hereafter as "Girdlestone Report" pp. 38-41.

¹⁶ Aitchison, *op. cit.*, p. 213.

¹⁷ "Girdlestone Report", *op. cit.*, pp. 38-8.

¹⁸ Aitchison, *op. cit.*, pp. 214-7.

**Table 9 : Duties on Imports from India in the
Central Sector, 1839** Rs./Annas

Description	Sair	Kapas	Nirkhi	Bhainsi	Kirana	Total
Cotton	2-4.3/4	6-8	0-6	—	1-2.1/2	10-5.1/4
Cotton textiles	2-4.3/4	0-8	—	—	1-2.1/2	3-15.1/4
Kirana goods	2-4.3/4	0-4	—	—	1-2.1/2	3-11.1/4
Buffaloes (per pair)	1-11	0-8	0-6	2-8	1-2	6-3

**Table 10 : Duties on Exports to India in the
Central Sector, 1839¹⁹** Rs./Annas

Description	Sair	Kapas	Kirana	Nirkhi	Total
Medicinal herbs, cardamom	2-5.3/4	0-4	1-2.1/2	0-6	Rs. 4-1.1/4
Paper, wax	2-4.3/4	0-8	1-2.1/4	0-6	Rs. 4-5.1/4
Copper	2-4.3/4	0-8	1-2.1/2	0-12	Rs. 4-11.1/4
Brass and other metal pots	2-8	1-0	2-0	2-0	Rs. 7-8
Iron and iron goods, salt, cloth	0-12	0-4	0-8	0-4	Rs.1-12
Sahi hawks	2-8	0-8	1-0	1-0	Rs. 5-0
Jurra hawks	1-4	0-4	0-8	0-8	Rs. 2-8

At least five other duties were collected on the trade between Kathmandu and the south at Thankot, Chitlang, Kulekhani, Chisapani, and Hitaura. These duties were both onerous and vexatious. An official order issued in 1912 during the rule of Prime Minister Chandra Shumshere admitted that "no schedule of tariffs has ever been prescribed for these duties, which are being collected at customary rates,"²⁰ Moreover, as the same order has noted:²¹

19. *Ibid.*, pp. 218-9.

20. "Order to the Kandrang-Gadhi Bhansar Adda Regarding Duties on Imports", Baisakh 22, 1969 (May 4, 1912), *RRC*, vol. 78, pp. 722-33.

21. *Ibid.*

The duties have to be paid at several places, so that traders have to keep their men at all of them. They have also to remit funds there while importing or exporting goods. When duties are assessed on each load, *ijaradars* treat even a small bundle as a full load. When collections are made in kind, they appropriate the best items.

(b) The Western and Far-Western Sectors

Table 7 does not mention the commercial tax revenue from the important market town of Butwal in the western sector. The reason is that revenue from the western Tarai, inclusive of commercial tax revenue totalling Rs. 222,162,²² was deposited in the central treasury in 1851 in a lump sum. It is accordingly not possible to determine how much of this amount comprised commercial tax revenue, and how much was raised from agrarian taxes and other sources. Separate figures are available for 1853 only and these show that a sum of Rs 41,441 was collected from commercial taxes at that place.²³ No information is available about the rates of these taxes; later evidence indicates that these were largely determined by custom and *ijaradars'* assessment of what the traffic would bear.²⁴

Commercial tax revenue from Brahmadeo and its sister *mandis* in the far-western sector is the last source mentioned in Table 7. It may be recalled that before the restoration of the far-western Tarai region to Nepal by the British Indian government, these *mandis* were the main centers of Nepal-India trade in that sector. During the five-year period from 1837 to 1841, revenue from these *mandis* had amounted to Indian Rs. 11,306 a year, equivalent to approximately Nepali

22. "Revenue and Expenditure..." 1851, (see no. 1 above).

23. "Revenue and Expenditure of the Government of Nepal", 1910 (1853), *RRC* (Miscellaneous).

24. "Order Regarding Customs Tariff Schedule for Butwal and Other Places", Baisakh Badi 9, 1950 (April 1893), *RRC*, vol. 89, pp. 705-17.

Rs. 13,906, under the *ijara* system.²⁵ The *ijaradar* was entitled to income from several other sources, besides commercial taxes, in consideration of that payment. These sources included timber exports, duties on the export of *sal* and catechu timber, pasturage taxes, duties on horses, falcons, and other goods brought from the hills, as well as on goods brought by traders from the plains, duties on exports, fees for the stamping of cloth, ferry duties, fees due to the *chaudharis* of the *mandis*, duties on shops, etc.²⁶ It may be correct to presume that the *ijaradar's* fiscal jurisdiction in these *mandis* was more or less identical in 1851, although the *ijara* payment had increased to Rs. 26,512 in the meantime as indicated in the table. Significantly, the rates of these fees and duties do not appear to have been officially prescribed at any time during the early nineteenth century. A royal order issued in 1838 thus instructed the *ijaradars* "to make collections at rates prevalent from former times", and "keep all traders, whether from the hills or from the plains, as well as British traders, satisfied."²⁷

Commercial Taxes on Kathmandu-Tibet Trade

The basic customs duty on goods traded with Tibet in the central sector was collected "at the Taksar or Mint, and the collector is familiarly called Taksari in consequence."²⁸ It was assessed on each of ballu load goods, each *bakku* consisting of 16 *dharnis*. The duty was collected at a uniform rate "for all articles alike".²⁹ It consisted of three separate payments on each

25. "Ijara Grant to Dillip Singh Bogati and Maitu Bista for Revenue Collection in Brahmadeo-Mandi", Baisakh Sudi 10, 1895 (May 1838), *RRC*, vol. 27, pp. 540-1.

26. *Ibid.*

27. *Ibid.*

28. Brian H. Hodgson, "On the Commerce of Nepal", in *Essays on the Languages, Literature and Relation of Nepal and Tibet* (reprint of 1874 ed.; New Delhi : Manjusri Publishing House, 1972), p. 103.

29. *Ibid.*

bakku-load, namely, *taksari* fee of 6 *annas* a *nikasi* duty of 10 *annas*, and a *bahidar* or clerk's fee of 1 *dam*, making a total payment of R. 1 and 1 *dam* on each *bakku-load*. "Upon payment of this sum to the *Taksari* that officer furnishes the merchant with a passport, which will pass his goods free, to the frontiers of Bhote or Tibet."³⁰

Brian H. Hodgson, the British Resident at Kathmandu, has recorded that in 1831 "the duties upon the Bhote trade are levied by government through its own officers, not farmed, like the duties on the trade with the plains".³¹ That is to say, such duties were then collected under the *amanat* system. The system seems to have been replaced by *ijara* within a few years. In 1851, revenue from the *ijara* amounted to Rs. 8001, as noted in Table 7.

Commercial Taxation During the Early Rana Period

The basic structure of the commercial tax system, as outlined in the previous sections, remained more or less unchanged during the early Rana period. There is little evidence that the early Rana rulers made any attempt to abolish regional or sectoral diversities in the system, impose any new commercial tax, or abolish any existing one. Custom and tradition, the twin springboards of Rana legitimacy, ruled the roost in commercial taxation as in most other spheres.

Rana reforms in the sphere of commercial taxation were by and large limited to administrative procedures, particularly the replacement of *ijara* arrangement by *amanat*. An across-the-board switch-over to *amanat* was out of the question, inasmuch as commercial taxes were often collected in small amounts in out-of-the-way places where the volume of collection did not warrant the maintenance of a regular salaried staff. Such considerations perhaps explain why the early Rana rulers made no attempt to tap revenue directly from the Himalayan border trade by abolishing the *thek-thiti* system in

30. *Ibid.*

31. *Ibid.*

the far-eastern and far-western hill regions. We may also mention in this context the grounds on which Prime Minister Chandra Shumshere rejected a proposal to take over the collection of commercial taxes at the *gola* of Hatiya near the border with Tibet in eastern Nepal under *amanat* management in 1901. The official rationale of that decision is significant enough to merit a lengthy citation :³²

The *gola* is situated at a distance of 25 *kos* from the Pallokirat Revenue Office near the Tibetan border in the north. The route consists of a very difficult hilly track and many streams and rivers have to be crossed. No boats can operate on some of these rivers, so that people have to cross them by catching hold of ropes tied to trees on both sides. Because of the distance, it will be very difficult to check the goods traffic and the amount of duties collected, and maintain accounts on a current basis. It is also not advisable to keep cash receipts in the custody of others in a desolate place adjoining the Tibetan border.

Amanat arrangements were, therefore, introduced only in regions and sectors where the revenue potential of commercial taxation was high and administrative control and supervision easy. These included internal duties in the central hill region, and customs and other duties on the Kathmandu-Tibet trade, both of which were brought under *amanat* management during the late 1850s.³³ The *amanat* system was similarly introduced for the collection of commercial taxes in a number of *golas* in eastern Nepal³⁴, as well as in Nepal-India trade in the central

32. "Thek Arrangements for Collection of Duties at Hatiya Chyantang-Lamitar Gola", Poush Sudi 2, 1958 (December 1901), *RRC*, vol. 87, pp. 458-80.

33. "Revenue and Expenditure of the Government of Nepal", 1918 (1861), *RRC*, (Miscellaneous).

34. "The Golas of Eastern Nepal", *Regmi Research Series*, year 12, no. 5, May 1, 1980, pp. 78-80, and year 12, no. 6, June 1, 1980, pp. 83-8.

sector.³⁵ At the same time, the *ijara* system was retained in such important centers as Butwal³⁶, Nepalgunj³⁷ and Brahma-deo-Mandi.³⁸

The Rana policy of collecting commercial taxes under the *amanat* system where feasible had an important corollary. So long as such taxes were collected under the *ijara* system, it was seldom necessary for Kathmandu to prescribe official tariff schedules. Indeed, as noted in previous sections, it was usually sufficient to instruct *ijaradars* to make collections at customary rates. The government was interested only in receiving the amount stipulated by the *ijaradar*, rather than in ensuring that taxes were collected at standard rates. Under the *amanat* system, in contrast, it was necessary to ensure that customs officials made collections at prescribed rates, instead of using their discretion. It would also be impossible to audit accounts of *amanat* collections in the absence of specific rates.

The take-over of several important *golas* in eastern Nepal for *amanat* management in 1858 accordingly led to the introduction of official tariff schedules for the first time three years later. The following table contains the rates of duties at the *gola* of Vijayapur of principal items of export and import.³⁹

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35. "Girdlestone Report", *op. cit.*, p. 37. Girdlestone writes: "On the main route from Segowlee to Kathmandoo the farming, system is not in force".
36. Chiranjivi Sharma Poudyal, *Afnu Katha* (My story), Lalitpur: Jagadamba Prakashan, 2021/1864, trans. in *Regmi Research Series*, year 17, no. 3, March 1985, p. 38.
37. "Commercial Taxation in Nepalgunj, A. D. 1885", *Regmi Research Series*, year 17, nos. 4-5, April-May 1985, p. 67.
38. "Ijara Grant for Revenue Collection in Brahmadeo-Mandi" Shrawan Sudi 6, 1954 (July 1897), *RRC*, vol. 61, pp. 158-60.
39. "Regulations Regarding Amanat Management of Golas" Marga Badi 6, 1918 (November 1861), sec. 8, *RRC*, vol. 10, pp. 213-8.

Table : 11 Duties at Vijayapur—Gola, 1861

	Unit	Rate of Duty
A. Imports		
1. Unginned cotton	Seer	1 1/2 <i>paisa</i>
2. Cotton	do.	2 <i>paisa</i>
3. Woolen blankets	do.	1 <i>paisa</i>
4. Copper and brass utensils	do.	3 <i>paisa</i>
5. Iron utensils	do.	1 <i>paisa</i>
6. Paper (coarse)	do.	1 <i>paisa</i>
do (fine)	do.	1 1/4 <i>paisa</i>
7. Hides and skins	Each	2 <i>paisa</i>
8. Iron	Seer	2 <i>paisa</i>
9. Pulses	Seer	2 <i>paisa</i>
10. Falcons	Each	11 <i>annas</i>
B. Exports		
1. Coarse cloth	Seer	1/2 <i>paisa</i>
2. Fine cloth	do.	3/4 <i>paisa</i>
3. Kirana goods	do.	1 <i>anna</i>
4. Rice	do.	2 <i>paisa</i>
5. Paddy	4 Seers	2 <i>paisa</i>
6. Salt	Seer	3/4 <i>paisa</i>
7. Buffaloes : Male	Each	1 <i>rupee</i>
Female	Each	11 <i>annas</i>
8. Unginned cotton	Seer	3/8 <i>paisa</i>
9. Cotton	do.	2 <i>paisa</i>

The contrasting experience of two of the *golas* through which trade flowed between eastern Nepal and Tibet underlines the causal link-up between *amanat* collection of commercial taxes and official tariff schedules. The *gola* of Olangchung, which was initially managed by Limbu functionaries under the traditional *thek-thiti* system and subsequently under *ijara*, was taken over for *amanat* management in 1881. The following schedule of tariffs was then prescribed for that *gola*:⁴⁰

40. "Confirmation of Customs Tariff Schedule for Olangchung-Gola", Chaitra Sudi 3, 1942 (March 1886), *RRC*, vol. 54, pp. 70-3.

Table 12 : Duties at Olangchung—Gola, 1881

Salt	1 <i>mana</i> per manload 5 <i>muthis</i> per goat or sheep load 2 <i>manas</i> per yak load
Yak-tails	8 <i>annas</i> per manload
Wool	2 <i>annas</i> do.
Sheep and goats	1 <i>anna</i> each
Blankets	2 <i>annas</i> to 8 <i>annas</i> each according to quality

In contrast, the *gola* of Hatiya remained under the *ijara* system throughout the nineteenth century, and the government obviously found no reason why it should prescribe a similar schedule there. A Newar merchant who had managed that *gola* under the *ijara* system for about 30 years accordingly reported in 1901 : “There is no official schedule of duties; I collect only what traders give me.”⁴¹

The rates of commercial taxes on Nepal-India trade in the central sector, as listed in Table 9-10, remained in force for about two decades after the commencement of Rana rule. In 1865, however, Jung Bahadur took the extra ordinary step of reducing these rates by approximately two-thirds.⁴² That step seems to have stemmed from his desire to ensure a preferential status for Nepali trading firms, many of whom were “backed by the money of Sri Jung Bahadur, his relatives and

41. “Order to the Pallokirat Bakyauta Tahasil Adda”, Poush Sudi 2 : 1958 (December 1901), *RRC*, vol. 87, pp. 458-80.

42. Information about the 1865 schedule is contained in “Order to the Kathmandu Goswara Bhansar Regarding Customs Tariff Rates”, Ashadh Sudi 10, 1923 (June 1866) *RRC*, vol. 63, pp. 1-8. There is, therefore, no ground to doubt its authenticity. Accordingly, it is surprising to find C. E. R. Girdlestone, the British Resident at Kathmandu, reporting to his government in September 1876 : “The enhance-

other prosperous officials".⁴³ According to the British Resident, C. E. R. Girdlestone, concessional rates of import duty were, therefore, prescribed for such firms. Some Muslim commercial houses of Kathmandu, afraid lest Nepalis should undersell them prayed that they too be eligible for the concessional rates. They agreed to abide by any conditions or restrictions that might be imposed on Nepali traders in the future and promised not to demand the facility of exemption from export duty traditionally enjoyed by Nepali traders. Jung Bahadur accepted their request and prescribed duties at the following rates for both categories of traders.⁴⁴

Table 13 : Duties on Imports from India into Kathmandu Valley, 1865

Description	Rs / Annas				
	Sair	Kapas	Nirkhi	Kirana	Total
Cotton	Rs. 1-2	R. 4-4	R. 0-2	R. 0-8 anna	Rs. 6-0
Cotton textile goods and Kirana	Rs. 1-8	R. 0-4	—	R. 0-12	Rs. 2-8

The total amount of duty on one bakkuload of cotton, inclusive of sair, kapas, nirkhi, and kirana, thus declined from Rs. 15-5 1/4 to Rs. 6, that is by 60.8 percent. The percentage of reduction in cotton textiles and other goods was also approximately the same.

The statistics that have been reproduced above illustrate the diversity in customs tariff rates on Nepal-India trade in different sectors. Such diversity was by no means due solely to administrative factors, but underlines the differential attitude

of such (customs tariff) rates appears to be rare, if we may judge by the tariff on the Kathmandu route, which has not, I believe, altered since 1839", "Girdlestone Report". *op. cit.*, p. 19.

43. "Girdlestone Report", *op. cit.*, p. 12.

44. "Order to the Kathmandu Goswar Bhansar", (see no. 42 above).

des of Kathmandu's rulers toward economic conditions and problems in different regions of the Kingdom. The case of duties on cotton, an important item of import in the hill regions, stands out most prominently in this context. Tables 11 and 13 show that import duty on cotton amounted to Rs. 9 on a 32-dharni load (equivalent to 96 seers, at the rate of 1.1/2 paisa per seer) in the eastern sector, but only Rs. 6 in the central sector. The weavers of eastern Nepal thus paid nearly one-third more as import duty on the raw material for a basic item of consumption than their counterparts in the capital region.

The main duties on Nepal-India trade in the central sector were traditionally collected at Chisapani under the *ijara* system. After the system was replaced by *amanat* during the early 1860s, a central customs office, known as the *Kathmandu Goswara Bhansar*, was established in Kathmandu to supervise the collection of such duties under the *amanat* system. However, the practice of collecting customs duties alternatively at Chisapani also does not appear to have been given up. After the town of Birgunj was constructed on the Nepal-India border in the central sector during the late 1890s, the procedure of collecting commercial taxes on goods traded between the two countries underwent some modifications. Import consignments were sealed at that town, while taxes were collected as usual at Chisapani. Chisapani, however, proved to be a bad center of tax collection of Nepal-India trade. Its location at a long distance from the border made it possible for traders to divert goods sealed at Birgunj to other destinations mid-way, or often even smuggle them back to India, thus evading payment of duties at Chisapani. There was, consequently, a wide discrepancy between the amount of customs revenue assessed at Birgunj and actually collected at Chisapani. In 1900, for instance, the amount assessed at Birgunj was Rs. 6,120, while not more than Rs. 4,673 was collected at Chisapani. Leakage of customs revenue on Nepal-India trade in the central sector thus amounted to approximately one-fourth of the total assess-

ment. In 1901, therefore, Prime Minister Chandra Shumshere sanctioned arrangements for the collection of customs duties at Birgunj. The functions of the customs office at Chisapani were thereafter limited to checking the weight of consignments despatched from Birgunj.⁴⁵

Commercial Taxes in Western and Far-Western Nepal

There is no evidence that the collection of commercial taxes in the market towns of Butwal and Nepalgunj in the western and far-western sectors was similarly taken over for *amanat* management. The *ijara* system was invariably followed there, and the rates of commercial taxes seem to have been largely determined by custom. In Butwal, according to a report submitted to the British Indian government by the British Resident, C. E. R. Girdlestone, in September 1876:⁴⁶

The duties are levied through one farmer for the whole of the border to the north of (Gorkhapur) district (in India), according to cart load for such things as are carried by cart, and according to weight for the rest, guessing having more to do than scales in the determination of the weight.

In the market--towns of Golaghat and Nepalgunj, according to the same source:⁴⁷

On all exports from Nepal and all imports, a duty is levied sometimes by load or weight, sometimes by the article. Import duties are levied at once, without reference to the likelihood of disposing of the goods ... There is (also) a local cess of 6 pie in the Rupee on the value of livestock, and 1. 1/4 seer on every Rupee's worth of hill products brought down by the Nepalese and destined for exportation ... There is besides the export duty a local cess of 2 annas a man irrespective of the goods which he brings for sale.

45. "Birgunj Bazaar", *Regmi Research Series*, year 13, no. 9, September 1, 1981, pp. 135-7.

46. "Girdlestone Report", *op. cit.*, p. 17.

47. *Ibid.*, p. 17.

As in Butwal, these duties were "generally farmed out, and large dealers can often make arrangements with the contractors by which they get a reduction of 25 percent."⁴⁸ Commercial tax revenue under the *ijara* system amounted to Rs 84,000 in Butwal in 1876, and to Rs 35,000 in Nepalgunj in 1878.⁴⁹ Since the district of Bardiya had been granted as a *birta* to the Rana family, income from commercial taxes in Golahat which, as mentioned in Chapter 8, was shifted to Rajpur in 1894, did not accrue to the government.

Prime Minister Bir Shumshere made a slight departure from the general policy of introducing official tariff schedules only in regions and sectors where commercial taxes were collected under the *amanat* system. In 1893, he introduced such schedules for Butwal and other market-towns in the western sector without abolishing customary *ijara* arrangements for collection. The schedule contains several unusual features. For instance, the rates of duties on imports were different for hillsmen and traders from the plains, while the export tariff schedule contains yet another column for women. A selected list is given below.

Table 14 : Duties on Nepal-India Trade in the Western Sector, 1893⁵⁰

(A) Imports	Rate per load of 24 dharnis Indian Rs./Annas	
	Traders	Hillsmen
Cloth (ordinary varieties)	1-8 1/4	2-4
Wheat, lentils	0-2 1/2	0-2
Brass and copper utensils	1-0 1/4	1-0
Salt, iron, kerosene, tobacco, etc.	0-4 1/4	0-4
Cotton, sugar, etc.	0-8 1/2	0-8

48. *Ibid.*, p. 16.

49. Chiranjivi Poudyal, *op. cit.*, *Regmi Research Series*, vol. 17, no. 3, March 1985, p. 38.

50. "Order Regarding Customs Tariff Schedule for Butwal..." (see no. 24 above).

(B) Exports

	Traders	Hillsmen	Women	Porters
<i>Khandl</i> cloth, hides and skins, blankets, potato, iron, fish	0-4 1/4	0-4		x
<i>Ganja</i> , catechu	0-10	0-9 1/2	0-1 1/2	
<i>Chares</i>	2-0 1/2	2		x
Brass, bell-metal, and copper utensils	1-0 1/2	1-0		x
Oilseeds, lentils	0-2 1/2	0-2		x
Wax	0-14 1/2	0-12 1/2	0-2	
Cardamom, salt, paper, oil	0-6 1/2	0-6	0--2	

Commercial Tax-Revenue from Nepal--India Border Trade

The introduction of *amanat* arrangements for the collection of agrarian taxes in the districts of the Tarai region during the early years after the commencement of Rana rule, as described in Chapter 4, led to important changes in the commercial tax system on border trade between Nepal and India. Commercial taxes on such trade were one of the several sources traditionally assigned to *ijaradars*, but the *amanat* system made it possible for the government to exploit that source of revenue directly.⁵¹ The actual manner of exploitation was, however, different in the eastern and central Tarai regions on the one hand, and the districts of the western and far-western Tarai regions on the other.

In the eastern and central Tarai regions, commercial taxes on Nepal--India border trade were farmed out to indivi-

51. In 1813, for instance, when revenue was collected in Bara and Parsa districts under the *amanat* system, a separate *ijara* was issued for the collection of customs duties on the Chisapani-Parsa route. "Collection of Customs Duties", *Regmi Research Series*, year 16, no. 6, June 1984, p. 82.

duals for separate parcels of territory under the *ijara* system.⁵² The British Resident, C.E.R. Girdlestone, has described how the system functioned in the Nepal-India border areas of Morang adjoining Purnea district in India. He writes :⁵³

A duty is levied on all exports through a farmer who takes the contract from the Durbar for a term of years and sublets the sublessees having subordinates along the frontier to make the collections, which are generally in money and in a lump sum, and seldom in kind. Although the Nepalese Government fixes the rates nominally, the duty is said to vary with the locality and the sublessees, the latter being under no real control...The duty on exports is levied at the time of sale, and the purchaser is furnished with a pass to cross the frontier.

The methods followed for collecting commercial duties on imports were somewhat different. In the words of Girdlestone :⁵⁴

Imports are not subject to a direct duty. The dealer in imported articles is taxed according to the size of his shop or the extent of his transactions, or if a pedlar, he was to pay for a license, the cost of which is generally fixed at an *ad valorem* rate on the estimated value of his goods as agreed between the farmer and himself. Sometimes too besides the money price of his license the pedlar may have to pay toll in kind. Whatever the payment, when once it has been made, the pedlar is free to hawk his wares without risk of interference.

During 1885-86 Commercial taxes on border trade in the seven districts of the eastern and central Tarai regions

52. "Revenue Regulations for the Eastern Tarai Districts", Marga 18, 1918 (November 1861), sec. 47, *RRC*, vol. 10, pp. 33-5.

53. "Girdlestone Report", *op. cit.*, p. 18.

54. *Ibid* , p. 19.

and pasturage the tax yielded a revenue of Rs 118,159.⁵⁶

In the western and far-western Tarai districts, the pressure of big farmers seem to have imparted a different direction to commercial tax policy on the border trade in foodgrains during the early 1860s. The reason was that export duties on foodgrains had a depressing effect on prices and so reduced their profits. As some landowners of Sheoraj complained in 1863:⁵⁷

Merchants who visit this district to purchase foodgrains say that since they have to pay export duties they will make purchases only if we reduce prices. We have, therefore, had to reduce prices in order to dispose of our produce.

The landowners, therefore, proposed that such duties be abolished, and the loss of revenue compensated through a surcharge on the land tax. The government accepted their proposal.⁵⁸ The surcharge initially amounted to 3 1/2 *paisa* on each rupee paid as land tax, and was raised to 6 1/4 *paisa* during the period of Bir Shumshere.⁵⁹ Every landowner in the western and far-western Tarai regions, irrespective of whether or not he had an exportable surplus, was

56. "Revenue from Customs and Pasturage in the Eastern Tarai Region", *Regmi Research Series*, year 13, no. 4, April 1, 1981, p. 59, The document does not specify the currency.

57. "Duties on Food Exports", *Regmi Research Series*, year 16, no. 4, April 1984, pp. 51-3; "Order to Nawalpur-Palhi Mal Regarding Galla-Rakam Payments", Chaitra Badi 13, 1940 (March 1884), *RRC*, vol. 82, pp. 363-5.

58. "Duties on Food Exports" (see no. 56 above), p. 52.

59. "Bakas Birta Grant to Sardar Bhagawat Bhakta in Banke" Shrawan Badi 1, 1952 (July 1895), *RRC*, vol. 90,

thus made liable to compensate the loss of revenue resulting from the abolition of duties on the export of foodgrains.

Concluding Remarks

To recapitulate : Nepal's commercial tax system during the early 19th century was marked by lack of uniformity in respect to rates and collection procedures in different geographic regions and commercial sectors. *Jagir* assignments reduced the volume of commercial tax revenue that would otherwise have accrued to the government while the *ijaru* system prevented the government from fully exploiting the revenue potential of that source. Finally, the custom-based character of the commercial tax system in general made the system virtually stagnant over long periods of time and also insulated it from the impact of official policies and programs aimed at enhancing the revenue receipts of the central treasury.

In the present state of our knowledge, it is not possible to calculate the amount of commercial tax revenue toward the end of the 19th century. The gradual expansion of Nepal-India trade, which more [than] offset setbacks to the transit trade with Tibet, may nevertheless be regarded as evidence that the figure was much in excess of what it was in 1851. In any case, it may be correct to presume that any increase that may have been achieved was by no means due to an enlargement of the state's jurisdiction in respect to commercial taxation, or to reforms in systems of collection, for Rana policy remained basically conservative in both these fields.



pp. 185-242. The grant mentions the rates of taxes assessed on the lands granted as *birta*. See also : "Order to the Employees of Nepalgunj Bazaar" in Yogi Naraharinarath (ed.), *Sandhipatrasangraha* (A collection of treaties and documents), Dang : the Editor, 2022/1866, p. 435.

CHAPTER X

State Intervention in Trade

State intervention was yet another method, besides commercial taxation, through which the state raised revenue from trade. Chapter 2 had listed two main forms of such intervention: fiscal monopolies and state trading. The methods through which these forms of state intervention in trade were actually applied in respect to different commodities in different market centers or regions, and their impact on revenue will form the subject-matter of this chapter. Although an important component of the Rana fiscal system, state intervention in trade had a low rating insofar as its contribution to the state exchequer was concerned. We had also noted in Chapter 2 that in 1851 the government raised only Rs. 20,635 from that source out of a total revenue of Rs. 1.41 million, that is, 1.46 percent. The percentage declined to 1.35 ten years later, the actual amount being Rs. 47,465 out of a total revenue of Rs. 3.5 million.¹ Comparable statistics are not available for subsequent years of the nineteenth century, but there is

1. "Revenue and Expenditure of the Government of Nepal", 1918 (1861), *Regmi Research Collection* (Miscellaneous).

evidence to suggest that revenue from state intervention seldom exceeded 2 percent of the total revenue.

Fiscal Monopolies

Chapter 2 had defined monopoly as an exclusive right assumed by the state to deal in any specified commodity in any specified area. When that right was assumed wholly or partially with the aim of raising revenue, we had designated it as a fiscal monopoly. During the early years of the nineteenth century, the system of fiscal monopolies appears to have been limited to the central hill region. This was quite natural, for, as discussed in Chapter 4, it was in that region that the state's fiscal jurisdiction was most untrammelled. The *thek-thit* fiscal systems prevalent in the far-eastern and far-western hill regions generally precluded direct state intervention in trade.² Similarly, the *ijara* system of civil and fiscal administration followed in the districts of the Tarai region paved the way for intervention by the *ijaradar* rather than by the state.³

Commodities covered by fiscal monopolies in the central hill region included both imports, such as borax and indigo, and indigenous items such as gur, *chares*, and cardamom. It is not possible to calculate the amount of revenue that these monopolies yielded,⁴ because they were lumped together with seve-

2. In Jumla, for instance, the wax monopoly was controlled by the village headmen under the *thek-thiti* system, rather than by the government. "Trade and Commercial Taxation in Jumla", *Regmi Research Series*, year 12, no. 3, March 1, 1980, pp. 33-41.

3. In Morang, during the early years of the nineteenth century the *ijaradar* "keeps the Catechu at his own disposal, and besides the duties, has probably much profit on this article as a merchant" Francis Buchanan Hamilton, *An Account of the Kingdom of Nepal* (reprint of 1819 ed.; Now Delhi : Manjusri Publishing House, 1971, p. 155).

ral other sources of commercial revenues in different parts of the hill region for collection under a single *ijara*,⁴ Two other commodities, paper and wax, were also under the monopoly system, but the primary objective was to produce cheap and regular supplies for meeting governmental needs, revenue being only a secondary objective. The paper monopoly covered the hill region between the Marsyangdi river in the west and the Dudhkosi river in the east, with the exception of Khinchet village in Nuwakot,⁵ while the wax monopoly, although formally covering the entire Kingdom, was confined in actual practice to the same region.⁶ The paper and wax monopolies yielded a revenue of about Rs. 1,500 each, but the fiscal liability of the wax monopolist was reduced in 1831 and fully remitted in the following year in view of his obligation to supply increasing quantities of the commodity for the manufacture of candles required in the royal household and those of the nobility.⁷

State Trading

State trading as defined in Chapter 2, meant a system under which the state engaged in the buying and selling of

4. "Ijara Arrangements for Collection of Revenue from Miscellaneous Sources in the Central Hill Region", Baisakh Badi 6, 1888 (April 1831), *Regmi Research Collectioni (RRS)*, vol. 44, pp. 242-5; Mahesh C. Regmi, *The State and Economic Surplus, : Production, Trade and Resource-Mobilization Early 19th Century Nepal* (Varanasi : Nath Publishing House, 1984), pp. 196-7.

5. Regmi, *op. cit.*, p. 195-6.

6. *Ibid.*, p. 182.

7. "Ijara Grant to Rajbir for Monopoly Trade in Paper" Bhadra Sudi 5, 1885 (August 1828), *RRC*, vol. 43, pp. 128-9; "Ijara Grant to Rajbir for Monopoly Trade in Wax", Magh Badi 12, 1887 (January 1831), *RRC*, vol. 44, pp. 187-8; "Ijara Grant to Chandrabir for Monopoly Trade in Wax," Kartik Sudi 3, 1888 (October 1831), *RRC*, vol. 44, pp. 377-8.

commodities at specified markets with the motive of earning profits. During the early nineteenth century, the system appears to have been confined to the buying and selling of primary commodities exported to India through the *golas* of eastern Nepal. The reason why the government preferred these *golas* to thriving market-towns such as Butwal in the western Tarai region for state trading may be easily explained. There seems little doubt that state intervention in trade required less administrative effort and financial investment in the *golas*, which were essentially centers for the transit of goods, than in market towns where trade was mostly in the hands of well-established merchants.

At the middle of the nineteenth century, state trading was conducted in at least ten *golas* in eastern Nepal, namely Vijayapur, Ltang, Retuwa and Raksa in Morang, Ambarpur Tarkanha, Kashipur and Laxmipur in Saptari, and Siswa and Sikharmadi in the Chaudandi hills of Majhkirat, and a central *gola* at Bhangaruwa in Saptari district, as noted in Chapter 9. The following order, issued in April 1849 to traders and producers in the eastern hill region, shows how such trading was conducted :⁸

Supply cardamom, wax, and other monopoly items, as well as other commodities, to different *golas* and obtain payment at prices current in each season. Do not sell your produce at places other than *golas*, as otherwise the *gola* authorities will confiscate it if detected within the frontiers. If the goods have already been sold in India, hand over the proceeds in Patna rupees to the *gola* authorities and obtain Mohar rupees in exchange.

Ijara Management

Both fiscal monopolies and state trading ventures were usually managed under the *ijara* system during the early years

8. "Order Regarding Supply of Commodities to Golas in Eastern Nepal", Baisakh Badi 3, 1906 (April 1849), *RRC*, vol. 64, pp. 368-9.

of the nineteenth century. That is to say, the government delegated its authority to intervene in trade in these forms to an individual, who, in consideration of such authority, paid a stipulated sum of money. Where the size or coverage of any fiscal monopoly was too small to attract *ijara* offers, the government tried to solve the problem by amalgamating several monopolies, or else combining their management with the collection of commercial taxes or other revenue. Often *ijara* offers were not available, or were available only at reduced figures. In that event, rather than devalue the revenue source by accepting lower *ijara* offers, the government seems to have preferred to manage the monopoly temporarily under the *amanat* system. Similarly, in the *golas* of eastern Nepal, the *ijaradar* was allowed to combine trading operations with the collection of customs duties and other commercial taxes. Thanks to the *ijara* system, the government was able to raise revenue through state intervention in trade without any risk, effort, or expense. The shortcomings of the system must also be noted. It hampered trade, for *ijaradars* seldom had sufficient capital to purchase goods offered for sale at *golas* and hold them in stock until these were resold or exported. Smuggling, therefore, became rampant, but *ijaradars* resented such contravention of their monopoly rights. According to a royal order issued in early 1958:⁹

Because of the *ijara*, producers and traders have not been able to take their goods for sale in India after paying customs and other duties at the *golas*. Nor have the *ijaradars* been able to purchase such goods because of inadequate funds.

Ijara management, consequently, "not only subjected producers and traders to hardships" but also reduced the volume of revenue.¹⁰

9. "The Golas of Eastern Nepal", *Regmi Research Series*, year 12, no. 5, May 1, 1980, pp. 78-80, and year 12, no. 6, June 1, 1980, pp. 83-6.

10. *Ibid.*

Extension of the Monopoly System

The monopoly system witnessed many vicissitudes during the early Rana period. In the central hill region, most of the monopolies mentioned in the previous section appear to have been discontinued. Indeed, official records of revenue receipts for the year 1851 mention only the paper monopoly in the Marsyangdi-Dudhkosi region, Khinchet village remaining outside the ambit of the monopoly as before. Subsequent developments, however, show that the decline in the role of monopolies in the Rana fiscal system was temporary and due mainly to administrative difficulties. Within a few years, the traditional monopolies in wax, paper, and liquor regained their importance, and new ones were added to the list, such as tobacco and dried fish in Kathmandu Valley.¹¹ In 1861,

11. "Revenue and Expenditure of the Government of Nepal" 1908 (1851), *RRC* (Miscellaneous); "Order to Khajanchi Shiva Prasad Upadhyaya Regarding Lal Mohar Orders for Tobacco and Dried Fish Monopolies". *Marga Sudi* 14, 1915 (November 1858), *RRC*, vol. 81, pp. 509-16. In 1864, the British Resident at Kathmandu, G. Ramsay, reported to his Government: "The trade in tobacco has for some time past suffered by its having been put in the hands of that grasping but ingenious individual, Soobah Dhumnarain, who is permitted by the darbar to control, in the most mischievous manner, nearly the whole of the internal trade of the country. The entire profits of the trade are vested in himself, instead of being available to all who choose to embark in it." Cited in Satish Kumar, *Rana Polity in Nepal* (Bombay: Asia Publishing House, 1962), pp. 135-36 n. Kumar adds: "The British records give detailed accounts of the way Jang Bahadur and other Ranas [monopolised trade, either directly or through their agents, in important commodities of daily consumption like salt, oil, tobacco, dried fish etc. The Ranas enjoyed profits from their sale at increased rates, causing at times near famine scarcity in those articles". Lack of Nepali source materials on this issue makes comment difficult.

these monopolies yielded a total revenue of Rs. 16,734.¹² There is no evidence that *birta* and *jagir* grants had any detrimental impact on the jurisdiction of the government insofar as these fiscal monopolies were concerned. In 1862, for instance, the government received reports that *birta* owners and *jagirdars* were not allowing *ijaradars* to procure wax and paper in some villages of Gorkha, but were making their own arrangements for the sale of those commodities and obviously appropriating the profits. A public notification was, therefore, issued threatening to punish *birta* owners and *jagirdars* all over the Kingdom with fines if they interpreted their fiscal jurisdiction in such a liberal fashion.¹³

The imposition of a monopoly in the import trade in Tibetan salt was an important development during the period of Jung Bahadur's rule. As noted in Chapter 8, Tukuche in the Thakkhola area of Baglung was an important center of that trade, although the customs checkpoint was located at Dana, a village south of Thakkhola. Customs duties at Dana were traditionally collected through an *ijaradar*, and yielded about Rs. 29,000 a year during the early 1950s.¹⁴ In 1860, a monopoly was introduced in the salt trade through Thakkhola, and the *ijaradar* who collected customs duties at Dana was concurrently granted an *ijara* for the management of that monopoly. The combined *ijara* raised the amount of revenue collected at Dana to Rs 44,501 in 1860¹⁵ Rs 97,306, a year during the late

12. "Revenue and Expenditure of Government of Nepal" 1918 (1861), (see n. 1 above).

13. "The Wax and Paper Monopolies", *Regmi Research Series*, year 13, no. 11, November 1, 1981, p. 169.

14. "Remission of Ijara Revenue from Dana Customs" Baisakh Sudi 11, 1912 (April 1855), *RRC*, vol. 56, p. 349. Payment due on the *ijara* for the year 1911 (A. D. 1854), amounting to Rs. 29,000 according to the previous year's figure was remitted because trade was disrupted by the Nepal-Tibet war.

15. "The Salt Trade in Dana", *Regmi Research Series*, year 9, no. 11, November 1, 1977, pp. 161-3.

1880s¹⁶ and as much as Rs 119,001 in 1902¹⁷. In other words, revenue from the monopoly increased by as much as 267.4 percent during the period between 1860 and 1902.

Jung Bahadur also extended the monopoly system to the Tarai region for the first time. The main commodities selected for these purposes were opium and sugarcane. The achievements, however, appear to have been far from satisfactory. Opium cultivation, as noted in Chapter 9, had started in the eastern Tarai districts on a commercial scale during the 1840s. The volume of production gradually became sufficiently large to justify the imposition of a monopoly on export. The monopoly was initially managed through an *ijaradar*, and yielded about Rs 13,001 a year. *Amanat* management, introduced in 1858,¹⁸ raised the gross income to Rs 63,274 two years later, but the net income amounted to no more than Rs 9,166.¹⁹ In other words, the amount of revenue collected from the monopoly actually declined under *amanat* management. New regulations were, therefore, promulgated in 1861 for opium procurement and export.²⁰ According to those regulations, credit was supplied to opium growers, and the product

16. "Ijara Grant to Subba Ram Prasad Thakali and Others for Salt Monopoly in Dana", *Ashadh Badi* 1, 1943 (June 1886) *RRC*, vol. 53, pp. 146-68.

17. "Ijara Grant to Subba Harsha Man and Ganesh Bahadur Thakali for Salt Monopoly in Dana", *Chaitra Badi* 30, 1958 (March 1902), *RRC*, vol. 87, pp. 649-84.

18. "Order Regarding Amanat Management of Opium Monopoly in Aswin Badi 11, 1915 (September 1853), *RRC*, vol. 81, pp. 394-7.

19. "Revenue and Expenditure of the Government of Nepal", 1918 (1861), (see no. 1 above).

20. "Regulations for Opium Monopoly in Eastern Tarai Districts and Chitwan", *Marga Badi* 11, 1918 (November 1861), *RRC*, vol. 10, pp. 273-85. The Regulations were issued in the name of the *ijaradar*, Sahu Dharma Narayan, the same person as mentioned in no. 11 above.

procured through the *ijaradar's* agents in each district, and sub-agent in each village. The *ijaradar* sold the opium at Patna and Motihari in India at prices sanctioned by the government, and credited the proceeds to the central treasury. He was permitted to appropriate Rs. 100 on each Rs. 1,100 of net profit in excess of the 1860 figure of Rs. 9,166, but was also placed under the obligation of making good the shortfall, if any. Notwithstanding such elaborate arrangements, the opium monopoly seems to have failed in its objective. The reasons for such failure are not clear, but presumably the incentives given to farmers were not adequate and the product was substandard.²¹ The opium monopoly, consequently, seems to have been abolished after a few years.²²

If the opium monopoly was aimed at raising revenue from the export trade in that commodity, the sugarcane monopoly was introduced with the aim of raising production and meeting the domestic demand for sugar. According to an order issued in 1862:²³

It is difficult for people, irrespective of their status, to import commodities from abroad at high prices. Everybody will benefit if sugarcane seeds are procured from

21. Girish Misra, *Agrarian Problems of Permanent Settlement* (New Delhi : People's Publishing House, 1978), p. 94.
22. From C. E. R. Girdlestone, Esq., Resident in Nepal, to T. H. Thornton, Esq. D. S. L. Offg. Secy. to the Government of India, Foreign Department, September 19, 1876 in "Trade between British India and Nepal", Foreign Department (Revenue A) Consultations, No. 13, National Archives of India, New Delhi, cited hereafter as "Girdlestone Report", p. 38. Girdlestone writes : "Opium was till lately, as in British territory, a Government monopoly, but at the present time cultivators are free to raise and sell it as they please."
23. "Order Regarding Sugarcane Monopoly in Morang and Saptari Districts", Kartik Badi 12, 1919 (October 1862), *RRC*, vol. 33, pp. 454-9.

abroad and cultivated by the ryots willingly, and sugar produced inside the country. We have, therefore, instituted a ten-year monopoly in sugarcane cultivation and procurement.

The order also made arrangements for the supply of credit to growers, on the ground that "the cultivation of sugarcane requires hard labor."²⁴ The sugarcane monopoly, however, seems to have rated low as a source of revenue.

The traditional fiscal monopolies in the central hill region remained a steady albeit inelastic source of revenue through the rest of the century. Bir Shumshere retained the monopolies in paper and wax, widened the ambit of the liquor monopoly to the whole of Kathmandu Valley and the adjoining hill areas between the Kosi river in the east and the Trishuli river in the west, as well as between Hitaura in the south and the Indrayani river in the north, and revived the monopoly trade in *chares* in the entire hill region between the Mechi and the Mahakali. The following table contains statistics of revenue from these monopolies in 1886 and 1901 :

Table 15 : Revenue from Fiscal Monopolies in the Central Hill Region 1886-1901

Source	Revenue		
	1886 ²⁵	1901 ²⁶	% of increase
<i>Chares</i>	Rs. 3,393	Rs. 3,684	8.5
Wax	Rs. 3,625	Rs. 3,861	6.5
Paper	Rs. 3,496	Rs. 3,723	6.4
Liquor	Rs. 31,452	Rs. 33,495	6.5

24. *Ibid.*

25. "Ijara Grant to Ganesh Das Ratna Das Manandhar for Miscellaneous Fiscal Monopolies", Poush Badi 9, 1942 (December 1885), *RRC*, vol. 52, pp. 412-45.

26. do. Marga Badi 11, 1957 (January 1901), *RRC*, vol. 70, pp. 646.83.

A monopoly in the export trade in hides and skins in the Tarai region eventually emerged as a major source of revenue. It seems to have been initially introduced in several areas of western Nepal, including Dailekh, Surkhet, and Butwal and extended to Dang in early 1886 when local authorities assured Kathmandu that "although this will be a new source of revenue, it will cause no hardships to the people."²⁷ The scope of competitive bidding for the hides and skins monopoly was however, limited by legislation which banned the appointment of Muslim and other beef-eaters as *ijaradars*.²⁸

Amanat Management of Golas

The most important reform that the Ranas introduced in the field of state trading at the *golas* of eastern Nepal concerned management. The shortcomings of the *ijara* system finally led to its abolition and the introduction of the *amanat* system in 1858.²⁹ *Amanat* management meant that the *golas* were managed by salaried employees of the government, which received the entire income and also bore the costs of management. The *amanat* take-over was followed by a reorganization of the *golas*. The *golas* of Tarkanha, Sitapur, Laxmipur, and Harinagar were abolished, while the state trading operations carried out in the *golas* of Siswa and Ambarpur were shifted to Chauriya,³⁰ which has been described as "a

27. "Export of Hides from Dang District", *Regmi Research Series* year 12, no. 10, October 1, 1980, pp. 154-5; "The Hides and Skins Monopoly in Butwal Bazaar, A. D. 1892", *Ibid.*, year 17, nos. 4-5, April-May 1985, p. 66.

28. "On Revenue Collection Arrangements", *Regmi Research Series* year 12, no. 5, May 1, 1980, sec. 3, p. 65; "Order to Palpa Tahabil Tosakhana Regarding Hides and Skins Monopoly in Butwal", Ashadh Badi 1, 1949 (June 1892), *RRC*, vol. 58, pp. 56-82.

29. "The Golas of Eastern Nepal", (see no. 9 above).

30. *Ibid.*

vast cardamom plantation.”³¹ The Chatra *gola*, which was previously under the jurisdiction of a local monastery, was taken over by the government subject to an annual payment of Rs. 22,202 to the monastery. The *amanat* arrangement introduced in 1858 thus covered the following six *golas*: Chatra, Chauriya, Vijaypur, Letang, Ratuwa–Singmadi and Raksa, with the *gola* of Bhangaruwa continuing to function as a transit point for exports to India.³²

Commodities covered by state trading operations at these *golas* under the *amanat* system belonged to two categories. The first category consisted of items under government monopolies such as wax and cardamom, while other general items such as medicinal herbs, musk, yak tails, hemp, and borax belonged to the second category. Perishable commodities were resold at the *gola* itself, while wax, cardamom and other non-perishable items were exported. The *gola* authorities were forbidden to deal in such essential commodities as rice, crushed rice, black gram, chillies, and oil. They were instructed to buy commodities at current prices and complete payments within five days. In case the volume of commodities offered for sale in the *golas* outstripped the funds at their disposal, they were allowed to release the commodities for sale to other customers on payment of customs and other duties. The government thus only assumed the preemptive right to buy and sell commodities, whereas *ijaradars* had apparently sought to exercise their monopoly right on an exclusive basis. As the regulations stated :³³

If commodities brought from the hills, such as cardamom, wax, medicinal herbs, musk, lac, yak's tails, hemp, and

31. Padma Jung Bahadur Rana, *Life of Maharaja Sir Jung Bahadur of Nepal* (reprint of 1909 ed.; Kathmandu : Ratna Pustak Bhandar, 1974), p. 274.

32. "The Golas of Eastern Nepal", (see no. 9 above).

33. "Regulations Regarding Amanat Management of Golas", Marga Badi 6, 1918 (November 1861), sec. 8, *RRC*, vol. 10, pp. 211-2.

borax can be profitably exported, purchase them at current prices and arrange for their export to Patna. Such goods may also be resold at the *gola*, if profitable. Local traders may purchase those commodities that cannot be exported to Patna, or resold locally with profit. They may either export the commodities, or sell them locally, on payment of a tax of four annas on each rupee worth of goods. Goods which can be purchased with profit neither by the *gola* authorities nor by local traders may be released for export on payments of the prescribed duties.

Legislation was also enacted with the objective of checking smuggling and deflection of trade. According to the Legal Code :³⁴

In case any person sells at other places cardamom and other commodities which must be sold at only *golas* and other specified markets according to the orders of the government, the commodities shall be confiscated, and the seller and the purchaser shall be punished with a fine amounting to half the value thereof. In case any person smuggles to India cardamom and other monopoly commodities for the supply of which he has received credit from government, the sale proceeds shall be confiscated or he shall be punished with a fine of equal amount.³⁵

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34. Government of Nepal, "Rairakamko" (On revenue matters), in Ministry of Law and Justice, *Shri 5 Surendra Bikrama Shahdevaka Shasanakalama Baneko Muluki Ain* (Legal Code enacted during the reign of King Surendra Bikram Shah Dev), (Kathmandu : The Ministry; 2022/1965) sec. 17, p. 58.
35. In actual practice, punishment for smuggling commodities covered by fiscal monopolies appears to have been severer than these provisions indicate. In 1860, for instance, some villagers of the Miklung Hills in the far-eastern hill region were caught smuggling cardamom to India. They were punished with confiscation not of the value of the commodity and fines, as prescribed by the law, but of their lands

Cardamom was the chief commodity exported to India through the *golas* of eastern Nepal under the *amanat*-operated state-trading system. The 1861 regulations contain detailed provisions for the procurement and export of that commodity.³⁶ First of all, a register of cardamom farmers, as well as of the area under cardamom in each holding, was compiled, and the value of the crop was estimated in advance. Credit was then supplied to any cardamom farmer who applied for it within the limit of that amount against the surety of the local headman or other responsible person. After the crop was ready, the amount of credit was adjusted against the value of the quantity actually supplied to the *gola*. Farmers who had obtained credit were under obligation to supply their produce to the nearest *gola* at specified prices and forbidden to sell their produce elsewhere. Farmers who did not take advantage of the credit facilities were paid for their supplies at rates current at the time of delivery. Funds for the supply of such credit were usually made available through assignments of agrarian-tax revenue³⁷ although occasionally allocations were also made on an *ad hoc* basis.³⁸

and other property. "Order Regarding Confiscation of Property of Cardamom Smugglers in Pallokirat" Poush Sudi 6, 19.7 (December 1860), *RRC*, vol. 48, pp. 80-1; "Order Regarding Tax Remission on Confiscated Kipat Lands of Cardamom Smugglers in Pallokirat", Baisakh Sudi 2, 1926 (April 1869), *RRC*, vol. 55, pp. 481-2.

36. "Regulations Regarding Amanat Management of Golas", 1918/1861 (see no. 33 above).
37. "Order to Captain Harital Pande Regarding Allocation of Agrarian Tax Revenues in Pallokirat for Credit Supply to Cardamom Growers", Ashadh Sudi 15, 1931 (June 1874), *RRC*, vol. 6², pp. 241-7.
38. "Order to the Pallokirat Tahasil Adda Regarding Allocation of Fund for Credit Supply to Cardamom Growers", Falgun Badi 6, 1942 (February 1886), *RRC*, vol. 52, pp. 635-7.

Supplies of cardamom procured in this manner were collected at the transit *gola* of Bhangaruwa, which was later shifted to Chauriya.³⁹ They were then transported by bullock-cart and riverway to the Indian towns of Patna and Mirzapur, where the government of Nepal maintained permanent establishments for its state-trading operations, and sold to the highest bidder.⁴⁰ The Mirzapur establishment, however, seems have been closed down subsequently. It is obvious that the government was able to obtain much higher prices for these commodities in the Indian market than what it could get at the *golas* themselves, as otherwise it would not have borne the additional costs and risks and the administrative problems involved in transport, storage, and sale in a foreign market.

The *amanat* management of state-trading in cardamom had a favorable effect on the volume of exports. Between 1862 and 1865, the quantity of cardamom sold by the Patna establishment increased from 5,600 maunds to 9,500 maunds a year⁴¹ and reached as much as 30,000 maunds during two-year period in 1880-81.⁴² *Amanat* management also led to a steep increase in the amount of revenue that the state was able to collect from state trading in the *golas* of eastern Nepal. During the early 1850s, net revenue from *golas*, collected under the *ijara* system, amounted to Mohar Rs. 19,584 a year.⁴³ Under *amanat* management, the figure reached Indian Rs. 47,465

39. "Order to Subba Hemanta Singh and Dittha Ambar Singh Regarding Sale of Cardamom at Chauriya", Falgun Badi 8, 1930 (February 1 74), *RRC*, vol. 82, pp. 634-6.

40. "The Golas of Eastern Nepal", (see no. 9 above),

41. "Order Regarding Increment in Salary of Lt. Birabhadra Adhikari Chhetri", Ashadh Badi 10, 1923 (June 1866), *RRC*, vol. 57, pp. 696-701.

42. "Order Regarding Increment in Salary of Chief Colonel. Bhakta Bahadur Basnyat Chhetri", Magh Badi 7, 1939 (January 1883), *RRC*, vol. 82, pp. 480-6.

43. "Revenue and Expenditure of the Government of Nepal" 1908 (1851), (see no. 11 above).

(Mohar Rs. 58,381) in 1861, or nearly three times more.⁴⁴ These arrangements appear to have continued without any interruption during the rest of the 19th century. Cardamom and wax continued to be exported to Patna under the *amanat* system,⁴⁵ and in 1899 Prime Minister Bir Shumshere even made an attempt to explore export prospects in the Calcutta market.⁴⁶ It is also significant that about two years later, in early 1901, he created a state-trading establishment in the new market town of Birgunj on the Nepal-India border in the central sector to deal in raw silk and other export items.⁴⁷

State Trading in the Far-Western Sector

As noted previously, state intervention in trade was initially confined to the *golas* of eastern Nepal. No attempt appears to have been made to introduce such intervention in any form in the trade that passed through Nepalgunj and other market-towns in far-western Nepal. Soon after the territory was res-

44. "Revenue and Expenditure of the Government of Nepal" 1918 (1861), (see no. 1 above).
45. "Order to Lt. Aridaman Khadka Chhetri Regarding Supply of Cardamom from Chauriya Gola to Patna" Magh Sudi 12, 1957 (January 1901), *RRC*, vol. 70, pp. 64-77 ; "Order to Ratna Alainchi Kothi Regarding Sale of Cardamom", Bhadra Sudi 3, 1958 (August 1901), *RRC*, vol. 87, pp. 65-80; "Appointment of Naib Subba Vedanidhi Padhya as Chief of Pallokirat Chhathum Tahasil Adda and Alainchi Dadani", Kartik Badi 12, 1954 (October 1897), *RRC*, vol. 75, pp. 404-9. In August 1899, Bir Shumshere decided to abolish procurement of wax and cardamom, and supply of credit for that purpose, in the far-eastern hill region. However, the decision was rescinded within less than six months, "Procurement of wax and cardamom", *Regmi Research Series*, year 17,, nos. 7-8, July-August 1985, pp. 127-8.
46. "Order to Subba Karna Bahadur Raimajhi Regarding Sale of Cordamom in Calcutta," Magh Sudi 1, 1957 (February 1901), *RRC* vol. 70 pp. 77-86.
47. "Birgunj Bazaar", *Regmi Research Series*, year 13, no. 9 September 1, 1981, pp. 135-7.

tored to Nepal, local authorities were ordered to report on the feasibility of such intervention,⁴⁸ but apparently the findings were not positive. It was only during the late 1880s that the state trading system was introduced for the first time in the three market towns of the far-western sector, namely, Nepalgunj, Golaghat, and Brahmadeo-Mandi. The reasons for this initiative can be easily explained. In the first place, the development of India's industrial and transport sectors, to which a reference has been made in previous chapters, increased the demand for Nepal's primary products, and consequently, generated new opportunities for raising revenue from the trade in such products. The second reason is linked with the Rana's relative success in the management of state trading ventures in the eastern sector since the mid-1850s.

The state-trading arrangements that were introduced in these market-towns covered at least three important items of export, namely, wax, cardamom, and catechu. In 1891, a monopoly was introduced in cardamom produced in the region situated west of Dang and Salyan up to the Mahakali river, the western boundary of the Kingdom.⁴⁹ No such hinterland was specified for the monopoly trade in wax, and the market authorities were instructed "to purchase on a monopoly basis supplies of wax brought from the hills."⁵⁰ The procurement

48. "Revenue Regulations for Bhagawanpur", Kartik Sudi 15, 1917 (October 1860), sec. 4, *RRC*, vol. 47, p. 423.

49. "Regulations Regarding Monopoly Procurement of Cardamom in Dang/Salyan-Mahakali Region," Jetha Sudi 14, 1948 (May 1891), *RRC* vol. 53, pp. 686-95; "Order to Lt. Colonel Ser Bahadur Thapa Chhetri Regarding Monopoly Procurement of Cardamom in Dang/Salyan-Mahakali Region", Shrawan Sudi 3, 1849 (July 1892), *RRC* vol. 50, pp. 562-74, and Aswin Badi 9, 1849 (September 1892), *RRC* vol. 57, pp. 1-13.

50. "Order to Nepalgunj Bazaar Adda Regarding State Trading in Wax", Bhadra Sudi 3, 1954 (August 1897), *RRC*, vol. 61 pp. 195-208.

arrangements were substantially the same as those prescribed in 1861 for the *golas* of eastern Nepal. But whereas wax, cardamom, and other monopoly items procured in the *golas* of eastern Nepal were chiefly forwarded to the state trading establishment at Patna in India, the sale or export arrangements in the market-towns of far-western Nepal were somewhat different. Commodities were usually sold to merchants who exported them to India,⁵¹ and occasionally, forwarded them to adjoining Indian towns, such as Pilibhit, and placed there in the custody of local Indian merchants to await buyers.⁵²

Bir Shumshere's experiment in state trading in the market-towns of far-western Nepal, however, collapsed after about a decade. Presumably because the returns proved meager in proportion to the risk, effort, and investments involved in those operations, local authorities were ordered in 1897 to report whether merchants would agree to pay higher export duties to compensate loss of revenue in case state-trading in cardamom, wax, and catechu was abolished.⁵³ The response was not only positive but even enthusiastic. The following report, submitted to Kathmandu in early 1897 for the wax trade, typified the situation in respect to cardamom and catechu as well.⁵⁴

Because of the monopoly, the quantity of goods that reached the market is low. It will definitely increase if state control is abolished. In fact, export duty at an enhanced rate may yield a higher amount of revenue.

51. *Ibid.*; "Order to Lt. Colonel Ser Bahadur Thapa Chhetri Regarding State Trading in Cardamom at Brahmdeo-Mandi", Ashadh Sudi 7, 1955 (June 1897), *RRC*, vol. 63, pp. 696-713.

52. "State Trading at Brahmdeo-Mandi" *Regmi Research Series*, year 13, no. 10, October 1, 1981, pp. 145-6.

53. "Order to Nepalgunj Bazaar Regarding Abolition of State Trading in Wax, Cardamom, etc." Kartik Badi 8, 1954 (October 1897), *RRC*, vol. 61, pp. 303-11

54. *Ibid.*, p. 306.

Other advantages of decontrol were also noted :⁵⁵

The problem of accumulation of unsold stocks will not arise, nor will any loss accrue from damage by insects or loss of moisture.

Bir Shumshere accordingly decreed the abolition of state trading in cardamom, wax, and catechu in the *mandi* towns of far-western Nepal. Open exports of those commodities were thereafter permitted on payment of duties at enhanced rates.⁵⁶

An Appraisal

There seems little doubt that the early Rana rulers were unable to use the state trading system as an effective method for raising revenue. The advantage of a virtually unlimited market in India was offset by a low production base and transport bottlenecks, neither of which was amenable to any short-term solution. At the same time, two other factors seem to have been of greater short-term relevance. These related to financial constraints and centralization of administrative authority. Indeed, inadequate and irregular supply of funds seems to have been the main constraint in the smooth operation of state-trading ventures. Allocations were made on a regular basis from specified revenue offices, but the sanction was renewed each year. Consequently, funds were seldom received in time. In 1892, for instance, Rs 30,000 each was sanctioned from revenue offices in Kailali and Kanchanpur for procurement of cardamom in the Dang/Salyan-Mahakali region. However, only Rs 15,000 was available in Kailali, while the Kanchanpur Revenue Office Reported that it had no surplus funds. Orders were then issued from Kathmandu sanctioning the balance of Rs 45,000 from Palpa. The funds had been requested in May, but the sanction was received only

55. *Ibid.*, p. 307.

56. *Ibid.*, p. 310.

about six months later.⁵⁷ Moreover, state-trading authorities were allowed to procure commodities only at prices approved by Kathmandu, and each transaction had to be sanctioned separately.⁵⁸ Remissions for losses caused by natural decline in the moisture content of the commodities during storage, or damages by rats and insects, could similarly be sanctioned only by the Prime Minister.⁵⁹ As a consequence of such factors, state trading operations could seldom be conducted smoothly. Shortage of funds deterred procurement when prices were low, while delays in obtaining sanctions from Kathmandu often led to an accumulation of stocks even when demand was brisk. Employees who deviated to the slightest degree from the letter of the regulations were subjected to lengthy explanations and punished with fines, and, therefore, were reluctant to display initiative and enterprise. State-trading consequently, remained in a chronic stage of experimentation whereas, fiscal monopolies proved to be a more or less steady source of revenue throughout the nineteenth century.



57. "Order to Lt. Colonel Ser Bahadur Thapa Chhetri Regarding Monopoly Procurement of Cardamom in Dang/Salyan-Mahakali Region", *Aswin Badi* 9. 1849 (September 1892), *RRC*, vol. 57 p. 9, (see no, 49 above).

58. "Sale of Wax in Patna", *Regmi Research Series*, year 15, no. 3, March 1983, pp. 37-8.

59. "State Trading at Brahmadeo-Mandi", (see n. 52 above)-

CHAPTER XI

A Retrospect

We have come to the end of our study of Nepali economic history during the early period of Rana rule from 1846 to 1901. As noted at the outset, the fiscal system was chosen as the principal theme of the study in the belief that it provides a key to an understanding of the way the whole economy works. The first chapter described political, economic, and other conditions within Nepal and in the neighborhood at the time of the commencement of Rana rule as a prelude to a discussion of the general characteristics of the fiscal system and the different categories of revenue that were collected in nineteenth century Nepal, while Chapter 3 described the different systems that were followed for the collection of such revenues in different regions of the Kingdom. Chapter 4 contained an account of the agrarian tax system, the biggest source of revenue throughout the period. The next three chapters dealt with revenue from the state sector in the fields of agriculture (Chapter 5), mining (Chapter 6) and forests (Chapter 7). The general pattern of the Kingdom's trade, both internal and external formed the subject-matter of Chapter 8, so as to set the stage for a discussion of the system

of commercial taxation (Chapter 9), and state intervention in trade (Chapter 10). This final chapter contains some broad observations on the nature of the Rana fiscal system. These observations will naturally be tempered by the limited scope of our study. It will be worth while repeating that the study deals mainly with the fiscal system of the Rana state, not with the political economy of Rana Nepal.

The basic thrust of our study is the sources from which the Rana government raised revenue, the methods followed for that purpose, and the amount of revenue actually collected. We have described these sources and methods in some detail, and, because of the lack of information, estimated the amount of revenue collected around the end of the nineteenth century at about Rs. 12 million a year. The actual figure may have been a few percentile points higher or lower, but this can in no way invalidate our general reconstruction of the Rana fiscal system.

There can hardly be any doubt that a revenue of approximately Rs. 12 million a year was out of all proportion to the volume of economic activity in the Kingdom at the end of the nineteenth century. The reference is by no means to the gap between potential revenue, that is, the amount of revenue that the Ranas could have collected from the sources available to them given certain conditions and certain policies and programs, and the actual revenue, for the concept presupposes a knowledge of nebulous variables that a dry-penned economic historian can hardly be expected to possess. Rather, we are referring to the discrepancy between the revenue actually collected from the people and the amount received by the government at its central treasury or local revenue offices.

The study has shown that the discrepancy was a wide one. The main reason was that the fiscal jurisdiction of the nineteenth-century Nepali state was emasculated by traditional systems of resource-appropriation which the Ranas used for their own benefit and of their supporters, as well as to placate

those groups whose role in the political system had been eclipsed by the Rana ascendancy. The political system of the Kingdom, as it evolved during the period after political unification, enabled the political elites to acquire a legal economic base for themselves at the cost of stunting the fiscal role of the state. A large part of the nation's natural resources, chiefly agricultural lands and forests, was accordingly owned and controlled by individuals under various traditional systems, rather than by the state, and so contributed virtually nothing to the state exchequer. In other words, the fiscal system of the Kingdom had a much narrower base than what the scale of actual exploitation of economic resources warranted.

Indeed, the basic political structure of the Kingdom remained unaffected by the political changes of 1846. Those changes, in fact, achieved little more than a change in the composition of the political elite. That is to say, if political power had been controlled by members of the Shah, Thapa and Pande families before 1846, it was thereafter monopolized by the Rana family. The political orientation of the Rana rulers remained the same as those of their predecessors, albeit with one important qualification. This was the Rana's success in building up a system of family rule, which, along with the relatively long tenure of that rule, provided them with unprecedented opportunities for exploiting the resources of the state and the nation for the personal enrichment of the Rana Prime Minister and his relatives and supporters. It is, therefore, scarcely surprising that the early Rana rulers introduced no basic change in the system with the aim of broadening the fiscal jurisdiction of the state. The stranglehold on the fiscal system traditionally exercised by the political elites through privileged forms of tenure accordingly continued unabated during the early Rana period. In fact, the total area under such tenures had risen to unprecedented heights during this period.

The study has focussed on three main categories of revenue within the residual fiscal jurisdiction of the state,

namely, taxes, production and trade in the state sector, and state intervention in private trade. Taxes, whether agrarian or commercial constituted a time-honored and, therefore, legitimate and custom-bound source which provided little scope for innovation. Rana policies in the field of taxation were, therefore, essentially timid and conservative in nature. Because of their preoccupation with the security and stability of their regime, the Ranas seldom imposed any tax that had not gained public acceptance through custom and tradition. Similarly, they seldom raised the rates of taxes without ensuring public acceptance of the measure. In contradistinction, the other two sources envisioned a more active and innovative role for the state. It is self-evident that the choice of areas suitable for state exploitation of natural resources, or of state intervention in trade, of the methods of such exploitation or intervention, and of their implementation, offers a wider scope for innovative action than the mere collection of traditional taxes on agriculture and trade.

Nevertheless, the state's role in the fields of exploitation of natural resources or intervention in private trade was circumscribed by one crucial factor, namely, deficiencies in the administrative resources at the disposal of the government. To be sure, the early Rana rulers did succeed in creating a network of district-level revenue offices in almost all parts of the Kingdom. Thanks to those offices, they were able to dispense with the traditional *ijara* system and collect agrarian taxes with greater efficiency than their predecessors. Moreover, the district revenue offices helped them to oversee the management of fiscal monopolies more effectively than ever before. There is no evidence, however, that those offices were able to make any contribution in the management of state-owned agricultural plantations, mines, or forests or state-trading ventures, for all of which separate offices were created at district or regional levels, or, alternatively, *ijara* arrangements were instituted.

Consequently, the early rulers were unable to take full advantage of the new opportunities available particularly

during the last decades of the nineteenth century in respect to the state-controlled production and trade in timber and other forest products, as well as state intervention in trade commodities produced in the private sector, such as cardamom and opium. We have seen how the opium monopoly collapsed within a few years after its introduction during the late 1850s. We have also seen how state trading in cardamom, wax, catechu, and other commodities in far-western Nepal was abandoned after about a decade-long experiment. To be sure, similar ventures in eastern Nepal continued at least until the last years of the nineteenth century, but there is little evidence that they constituted an expanding or even stable source of revenue.

It seems worth while to recapitulate the nature of the administrative problems that the early Rana rulers faced in the implementation of their fiscal policies and programs. These problems relate mainly to personal accountability of government employees and centralization of fiscal authority. We have seen how the early Rana rulers created administrative offices at the district and regional levels to discharge fiscal functions. Effective control and supervision of those offices from the center presented a formidable problem. The problem was rendered more acute when the number of offices and employees proliferated in subsequent years. Consequently, administrative procedures laid prime emphasis on personal accountability of government employees. Such accountability meant that government employees were held personally liable for any shortfall in revenue collection, or for any failure to realize arrears of payments due to the government, unless they were able to prove that such shortfall or failure was due to circumstances beyond their control. Errors of judgement were seldom condoned if they resulted in any loss to the government; the penalty might range from a mere reprimand, or a nominal fine and an adverse note in the service record, to reimbursement of such losses from the personal property of the employee.

Personal accountability of government employees responsible for the collection of revenue or the discharge of other fiscal functions was only one aspect of the administrative procedures introduced by the early Rana rulers. The other and perhaps more important aspect was the increasing centralization of the decision-making process. The system of local administration, particularly in respect to government offices dealing with fiscal function, was characterized by the virtual absence of any system of delegation of authority. Every issue, however minor, required the personal decision of the Prime Minister, and every disbursement, however small, required his personal sanction, which might take several weeks or even months. The chiefs of government offices in the districts, under this system, were virtually personal servants of the Prime Minister functioning at his bidding, rather than members of a regular civil service. Such a situation was hardly conducive to a spirit of initiative and enterprise among government employees. A centralized administrative system and state-operated commercial ventures in outlying districts indeed made strange bedfellows.

The virtual collapse of the state-trading system around the last years of the nineteenth century as a result of such deficiencies in the system of fiscal administration left monopolies the sole medium of state intervention in trade, as well as of the exploitation of state-owned resources, such as forests. Indeed, monopolies long remained the linchpin of the Rana fiscal system. Fiscal monopolies enabled the government to derive revenue from the export trade in primary commodities. The interests of both the government and the monopolist thus called for a quick turnover, and that objective was achieved through the export of commodities in their crude state. The government thereby received revenue, and the monopolist earned his profits. However, such export of commodities in their crude state made them unavailable for use as raw materials by local artisans and craftsmen. Production and employment, as well as capital formation, were the inevitable casualties. The battle was between revenue and economic growth, and the tradi-

tionally short-run fiscal policies of the early Rana rulers inevitably tipped the scales in favor of revenue.

Against the background of the conservative tax policies of the early Rana rulers, and the administrative hurdles that undermined the effectiveness of their policies concerning exploitation of state-owned resources and state intervention in private trade, their success in raising the amount of revenue from about Rs. 1.45 million in 1851 to an estimated Rs. 12 million by the end of the century requires an explanation. The explanation lies in the expanded agrarian tax base, particularly during the final quarter of the nineteenth century, as a result of a phenomenal expansion of the cultivated area in almost all parts of the Terai region. Extension of the cultivated area in the Tarai region, although a desirable goal from the viewpoint of the exploitation of the nation's economic resources, nevertheless had several negative aspects. Adequate manpower was not locally available, and climatic factors precluded large-scale migration to that region from the hill regions of the Kingdom. Consequently, new lands were brought under the plow in the Tarai region during the early Rana period mainly through the labor and capital investment of immigrants from India. Agricultural development in the Tarai region thus provided employment to Indian immigrants, and increased the tax revenues of the state as well as the income of the Kathmandu-based landowning elites. However, it brought about no change in techniques of production and no improvement in productivity, nor did it give rise to a cumulative process of capital formation and economic growth in a general way. In other words, agricultural development in the Tarai region did not spill over into other sectors or set off a generally dynamic response. Although the main plank of the fiscal policy of the early Rana rulers, it consequently bypassed the majority of the Kingdom's population who lived in the hills. One should not forget that immigration into the Tarai region from India during the period seems to have been more than offset by emigration from the hill region to different areas in both eastern India and south-eastern Asia.

To conclude : The development of Nepal's fiscal system, even within the parameters of its relatively undeveloped economy, was retarded by the traditional systems of ownership and control of land and other sources of income which the early Rana rulers inherited during the mid-nineteenth century and carried forward with considerable adroitness and ingenuity for the benefit of the Rana family and its supporters in subsequent years. Even within its restricted fiscal jurisdiction, the Rana government was unable, because of its narrow political base, the deficiencies of the administrative system, and its preoccupation with security and stability, to achieve maximum exploitation of both actual and potential sources of revenue. Moreover, the policies and programs of the Rana government in the fiscal field mainly fulfilled short-term *goals*, and were often detrimental to the long-term economic interests of the nation. It is perhaps unrealistic to look at early Rana rule during the latter part of the nineteenth century from the late twentieth century standpoint of commitment to national economic growth, but an economic historian can hardly be criticized for an attempt to evaluate early Rana policies in the fiscal field from a modern perspective.

●

GLOSSARY

- Abal* Agricultural lands of the topmost quality according to the traditional four-tier system of classification (see *doyam, sim, and chahar*)
- Adhiya* A system of share-cropping in the central hill region, under which the cultivator paid half of the rice-crop as rent.
- Agri* A miner
- Amanat* A system under which revenue was collected, or sources of revenue exploited, on government account by salaried employees.
- Anna* A unit of account consisting of 4 *paisa*; also called *ganda*.
- Bahaliya* A carter
- Bakku* A load of 16 *dharnis* on the Kathmandu-Tibet route, and of 32 *dharnis* on the Kathmandu-India route.
- Bakyauta Tahasil* A district-level revenue collection office in
Adda the hill region.
- Bhainsi* A buffalo; transit duty on buffaloes.
- Bigha* A unit of land measurement in the Tarai region, usually comprising an area of 72,900 square feet. The area varied in different parts of the Tarai region.

- Birta** Tax-free land grants made by the state to individuals.
- Chahar** Agricultural lands of the lowest category (see *abal*)
- Chares** The resinous substance extracted from the hemp (*Cannabis sativa*) plant, used as a narcotic.
- Chaudhari** The chief revenue functionary of a *sappa* or *parganna* in the Tarai region; also of *mandis* or market-towns in the far-western region.
- Chhalahi** A levy collected in the form of hides and skins from cobblers and hunters in the hill region, often commuted into a cash payment.
- Chumawan** A levy collected during the sacred thread investiture ceremony of the Crown Prince.
- Dara** A revenue sub-division comprising a number of villages in the Jumla region.
- Dadani** Credit provided to producers or traders for the supply of commodities.
- Darshan-Bhet** A levy collected from government employees and functionaries at the time of their appointment, reconfirmation, or promotion.
- Dharni** A unit of weight used in the hill region, equivalent to about 5 lbs.
- Doyam** Agricultural lands of the second best category ([see *abal*])
- Dwar** A riverside timber depot.
- Fattemubarak** A levy collected on the anniversary of King Prithvi Narayan Shah's conquest of Kathmandu.
- Gadhi** A fort; an administrative district with a fort-town as its headquarter.
- Gadimbubarakh** A levy collected at the time of a royal coronation ceremony.
- Ganda** See *anna*.

- Garkha* A revenue sub-division comprising a number of villages in the Doti region.
- Gaunda* An administrative district with a military cantonment at its headquarters.
- Goddhuwa* A levy collected during the wedding ceremony of the eldest royal princess.
- Gola* A customs post; a market.
- Gur* Brown (unrefined) sugar.
- Guthi* Lands and other sources of revenue endowed by the state or by individuals to finance religious or charitable functions.
- Hal* A plow-team
- Hale* A *Pakho* holding in the hill region which could be plowed by an ox-team in one day.
- Hulak* A system under which official mail or supplies were transported by relays of porters impressed from among the local peasantry, called *kagata-hulak* for the transportation of mail, and *thaple-hulak* for the transportation of supplies.
- Ijara* Revenue-farming; a system under which revenue was collected, or sources of revenue exploited, by an individual under contract with the government.
- Ijaradar* A revenue-farmer; holder of an *ijara*.
- Jagat* Customs or transit duty in the hill region.
- Jagera* Land and sources of revenue other than *jagir*, which were retained for appropriation by the state.
- Jagir* Land and other sources of revenue assigned to government employees in lieu of emoluments.
- Jagirdar* A government employee; holder of a *jagir*.
- Jhara* Unpaid labor exacted by the government on a compulsory basis; often commuted into a cash payment.

- Jimidar* A functionary appointed by the government to collect revenue in the *moujas* of the Tarai region.
- Kagate-hulak* See *hulak*
- Kapas* Cotton; transit duty on cotton.
- Kascharai* A tax on cattle grazed in the forests of the Tarai region.
- Kathaiya* A timber merchant.
- Kathmahal* An official establishment for the management of the timber trade in the districts of the Tarai and inner Tarai regions.
- Kausi Tosakhana* The Central Treasury and Stores Department.
- Khairaha* A person who manufactures catechu.
- Khari* A kind of coarse salt obtained as a by-product during the manufacture of saltpeter.
- Khet* Wet lands where rice can be grown.
- Khuski* A system under which commercial timber was extracted and exported from state-owned forests in the Tarai region by private merchants.
- Kipat* A form of communal land tenure prevalent in the hill region among some communities of Mongoloid origin, such as the Limbus of Pallokirat.
- Kirana* Miscellaneous commercial goods other than foodgrains; transit duties on such goods.
- Kodale* A *pakho* holding in the hill region which was smaller than a *pate* holding.
- Kularhiya* A lumberman.
- Kut* A system of share-cropping in the central hill region under which the cultivator paid a fixed quantity of produce, or a fixed amount of money, as rent.

- Mahto** A village-level revenue functionary in the western hill region.
- Mal Adda** A district-level revenue collection office in the Tarai region.
- Mandi** A market-town in far-western Nepal.
- Mouja** A unit of settlement and cultivation as the primary unit of fiscal administration in the Tarai and inner Tarai regions.
- Mukhiya** A village-level revenue functionary in the hill region.
- Muri** (1) A volumetric measure comprising 20 *pathis*, with 8 *manas* to a *pathi*.
(2) A land measurement unit in the hill regions comprising between 11190.25 and 1785.37 square feet according to the grade.
- Nikasi** Export trade; duties on exports.
- Nirkhi** A tax on the sale of commodities.
- Pakho** Dry hill-side or elevated lands in the hill region.
- Panchashala-Thek** A contractual system of land tax collection in the eastern Tarai region under which settlements were made with local functionaries for five years at a time.
- Parganna** A revenue sub-division in the Tarai and inner Tarai region comprising a number of *moujas*.
- Pate** A *pakho* holding which was half of a *hale* holding.
- Raja** Chief of a vassal principality.
- Rajya** A vassal principality within the Kingdom of Nepal.
- Rakam** An obligation imposed on land-holders to supply specified commodities or provide specified services to the government.

- Ropani** A unit of land measurement used in Kathmandu Valley comprising 4 *muris* of land, The actual area varied according to the grade.
- Sadar Dafdarkhana** The Central Revenue Department dealing with land and revenue functions.
- Sadar Mulukikhana** The Central Treasury.
- Sair** Customs or transit duty in the Tarai region.
- Saunefagu** A roof-tax in the hill region.
- Serma** A tax on homesteads in the hill region.
- Sim** Agricultural lands of the third category (see *abal*).
- Sukumbasi** An agricultural laborer who owned only a homestead but no agricultural lands.
- Tappa** Same as *parganna*, a term used for Rautahat in the eastern Tarai region, and revenue sub-divisions in the western and far-western Tarai regions.
- Thaple-hulak** See *hulak*
- Thek** A generic term used to denote various categories of contractual systems for collection of taxes.
- Thekbandi** A contractual system of settlement with local functionaries for the collection of homestead taxes in the central hill region.
- Thekthiti** A revenue settlement with the village community for the collection of agrarian taxes in the far-eastern and far-western hill regions.
- Thekdar** A contractor; an individual with whom *thek* arrangements for the collection of agrarian taxes were made.
- Thum** A revenue sub-division in the central and eastern hill regions comprising a number of villages.

Tikabhet

A levy collected from high-ranking civil and military officers on the occasion of the Dashain festival.

Tipeta

A system under which timber was extracted and exported from state-owned forests in the Tarai region on government account.

Zemindar

Landowners in the Tarai region with the local peasant community under their jurisdiction.



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