

# Data Don't Lie: A Comparative Study of Nepal's Development under Absolute Monarchy and Post-Monarchy Democratic Era

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## **Abstract**

*A widespread perception among the Nepalese people is that Nepal was in a better position in terms of development during the party-less Panchayat political system under the absolute monarchy from 1960 to 1990 than in the post-Panchayat democratic period after 1990. This article presents a comparative study of major development indexes during the Panchayat and post-Panchayat periods and aims to clarify the origins and reality of this perception. Data were obtained and analyzed using secondary global sources such as UNICEF, UNFPA, UNESCO, Education Statistics, World Bank, etc. Further comparison is made with corresponding Indian indexes for a better assessment of development after the emergence of globalization. The comparison shows that, contrary to the common perception, Nepal is in a much better development position in most of the indexes in the post-Panchayat democratic period.*

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**Keywords:** Democracy, Democratization, Party-less Panchayat System, Monarchy, Development, Nepal

**JEL Code:** O15, P51

## **1. INTRODUCTION**

In spite of more than thirty years of electoral democracy since the reestablishment of a constitutional monarchy and more than a decade since the abolition of the monarchy,

opponents of federal democracy continue to mobilize and advocate for a return to monarchy and even an end to elections altogether. The end of 2020 saw mass protests nationwide organized by monarchists and advocates of a Hindu state in contravention of COVID-19 guidelines (The Record, 2020). A number of political parties participated, along with the ultimate endorsement of the major royalist and Hindu nationalist political party. TV programs, the popular press, and public debates include frequent dissatisfaction with the status of development under the federal democratic republic, often expressing nostalgia for absolute monarchy, and sometimes calling for military intervention in politics (e.g., Khand, 2021). The implication is that a sizable portion of the public believe that development outcomes were better during monarchism than during democratic period in Nepal.

Nepal underwent several political changes in less than 250 years from Prithvi Narayan Shah's accession to Kathmandu's throne in 1769 to the declaration of the present federal democratic republic constitution of Nepal in 2015. The major political systems during this period can be categorized as: (1) absolute monarchy from 1769 to 1846; (2) a hereditary prime minister system under the monarchy (Rana's rule) from 1846 to 1951; (3) multi-party democracy under constitutional monarchy from 1951 to 1960; (4) party-less Panchayat system under absolute monarchy from 1960 to 1990; (5) multi-party democracy under constitutional monarchy from 1990 to 2008; (6) federal democratic republic from 2008. This categorization of the political systems into six main categories leaves out brief periods of absolute monarchy under King Tribhuvan Shah and King Mahendra Shah between 1951 and 1960 as well as under King Gyanendra Shah between 1990 and 2008. These relatively frequent changes of political system has led Nepal to be called a political laboratory. Development and system of governance are interrelated (Bista, 1991) while political stability is an important factor in the speedy development of a country. A common argument against the post-Panchayat political system has been based on allegedly poorer development outcomes since the establishment of democracy.

Those advocating against the present federal democratic republic in terms of development mainly cite some of the development projects accomplished during the Panchayat period to draw a positive comparison with the present democratic system. This article therefore compares various development indexes from the Panchayat period from 1960 to 1990 with the largely democratic period after 1990. Thus, this study stretches over 60 years: 30 years of party-less absolute monarchy and 30 years of representative government under a constitutional monarchy and a federal democratic republic. However, this comparison needs to be qualified in that the latter period was not a single uninterrupted stable representative system: about five years from 2002 to 2006 saw a number of interruptions by King Gyanendra Shah; furthermore, a decade-

long Maoist insurgency took place, paralyzing the nation, obstructing development projects, and also destroying significant infrastructure.

The literature comparing development during and after Panchayat is largely void. One study by Aryal (2016) is closely related to the present study. Aryal considered health and education though there was no comparison of other development indexes in place of a focus more on social development issues. Another study about politics and economy (Khadka, 1994) discussed Nepal's politics and economy under the Panchayat system. However, the study was carried out in 1994 just four years after the establishment of representative multi-party democracy under the constitutional monarchy so there was no scope for comparison between the Panchayat and post-Panchayat eras. The study by Bhattachan (1994) also suffers from a similar shortcoming, though it does describe several lagging development issues from the Panchayat system.

The purpose of this article is to carry out comparative study of development indexes during Panchayat and post Panchayat democratic periods. In order to better understand the comparison during the two periods, each index has been compared with the corresponding index of Nepal's neighboring country India. This is important because of the fact that after the emergence of globalization practice, the pace of development indexes tend to improve at rapid rate compared to pre-globalization period.

The introduction section is followed by the section Literature Review. Then the section about the Data Source and Method has been presented. The article then presents the section Results and Data Analysis followed by the Discussion section. Finally the paper concludes with the section Conclusion.

## **2. RESEARCH METHODS**

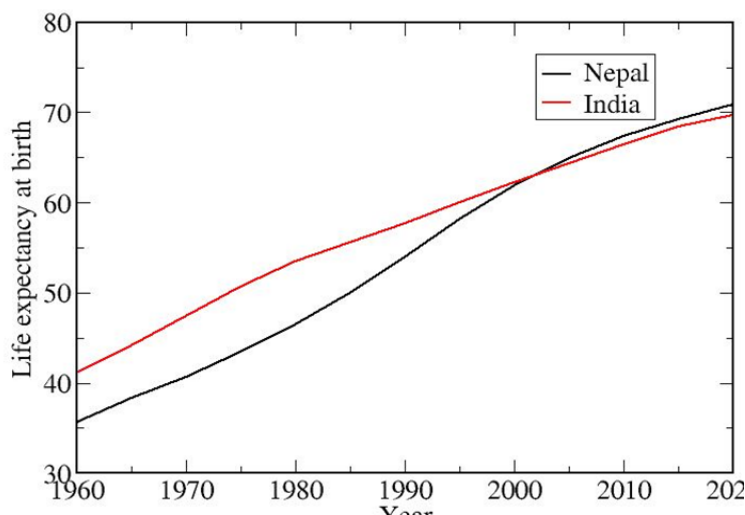
This study adopts a rigorous and systematic approach to compare and analyze Nepal's development under absolute monarchy and the subsequent democratic era. The research employs a comparative methodology, drawing on data from reliable secondary sources, including UNICEF, UNFPA, UNESCO, Education Statistics, and the World Bank. These sources provide a comprehensive set of indicators, encompassing social, economic, and educational dimensions, enabling a nuanced evaluation of developmental progress. To ensure the accuracy and reliability of the findings, a time-bound analysis is conducted, focusing on two distinct periods: the Panchayat era (1960-1990) and the post-Panchayat democratic period (1990 onward). This temporal division allows for a targeted examination of developmental trends, facilitating a comparative assessment of the two political frameworks.

The inclusion of corresponding Indian developmental indices serves a dual purpose. Firstly, it provides a comparative benchmark, allowing for a contextual understanding of Nepal's progress in relation to a regional counterpart. Secondly, it enables the examination of the impact of globalization on developmental outcomes, offering valuable insights into the interconnected nature of regional progress. Data analysis involves quantitative techniques to identify patterns, trends, and statistical significance in the selected indicators. By adhering to a meticulous research design and leveraging a diverse array of data sources, this study aims to contribute a nuanced understanding of Nepal's development trajectory, dispelling or affirming prevalent perceptions surrounding the impact of political systems on national progress.

### 3. RESULTS

The development indexes considered for the comparison between Panchayat and the democratic post-Panchayat period can be grouped into three categories: (1) Health; (2) Education; and (3) Economy. A comparison and elaboration of these indexes is carried out in the following subsections. Data from India is included as a control to establish a baseline for development.

**Figure 1: Infant mortality per 1000 live births in Nepal and India from 1960 to 2018.**



Data Source: UNICEF, 2021

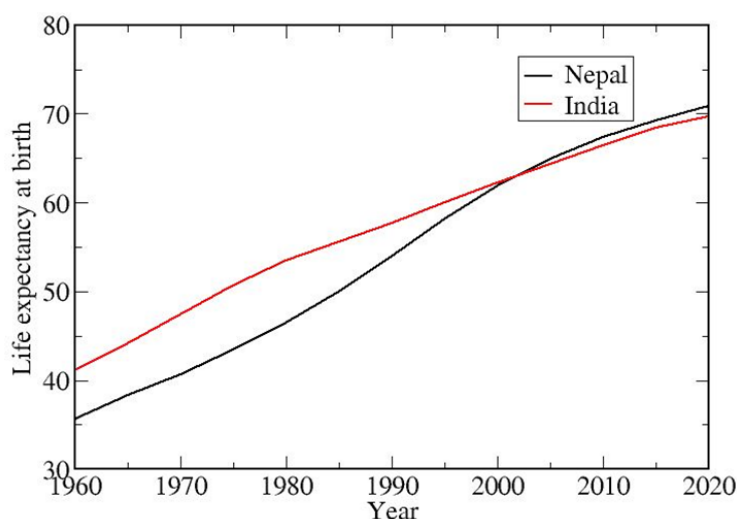
#### 3.1 Health

Two variables are considered under health: (1) infant mortality rate; and (2) life expectancy at birth. Fig.1 shows the infant mortality per 1000 live births for Nepal and India from 1960 to 2020. A particular focus of the data is made on the years at the

end of the two periods in order to get a sense of the cumulative results of each. The year 1990 marks the end of Panchayat and the latest year data available marks the post-Panchayat period. The infant mortality rates in 1990 for Nepal and India were 100.03 and 88.79, respectively. This meant about 10% infants born in Nepal would not survive. The corresponding rate for India was about 9%. In 1995, just five years after Panchayat, Nepal had matched India's infant mortality rate. Nepal and India were ranked 30 and 36, respectively, in the worst infant mortality in 1990 and were ranked 56 and 52 in 2018 (The Global Economy, 2021b). Even though both Nepal and India have reduced infant mortality compared to 1990, Nepal has reduced it more than India over the same period. Nepal was six places behind India in 1990, whereas it stood four places ahead of India in 2018.

Fig.2 shows the life expectancy at birth for Nepal and India for the period from 1960 to 2018. The life expectancy at birth for Nepalese and Indians in 1990 was 53.99 and 57.66, respectively. Thus, the life expectancy for a Nepalese in 1990 was about four years less than that of an Indian. Nepalese life expectancy surpassed Indian life expectancy in 2005. As of 2018, the life expectancy for a Nepalese and an Indian was 70.88 and 69.73, respectively. The global rankings of life expectancy for Nepal and India in 1990 were 155 and 142, respectively, but increased to 128 and 135 by 2019 (The Global Economy, 2021c). Thus, Nepal was behind India by 13 places in 1990 whereas Nepal had improved its ranking by 27 places to rank ahead of India by seven places in 2019.

**Figure 2: Life expectancy at birth for Nepal and India from 1960 to 2019**

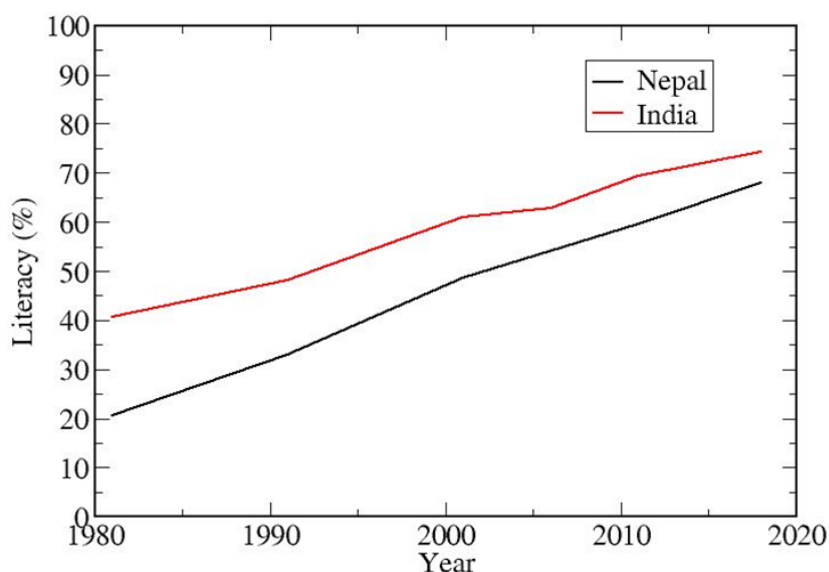


Data Source: United Nations-World Population Prospects 2019.

### 3.2 Education

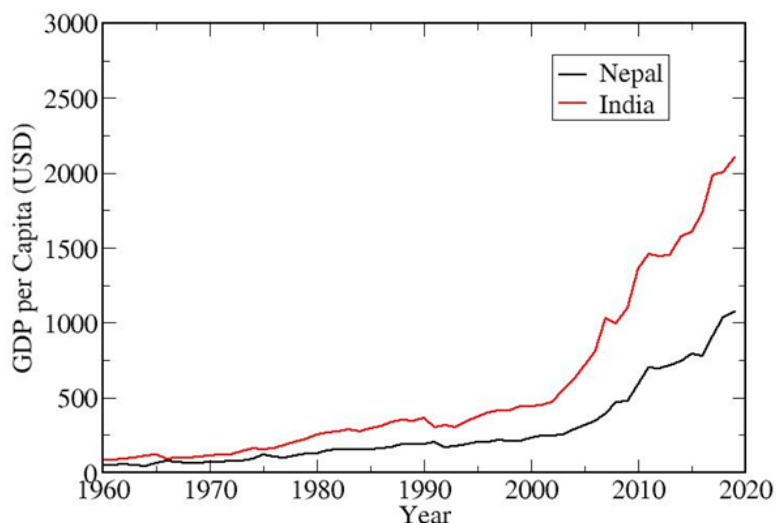
Fig.3 shows the adult (15+) literacy rate for Nepal and India from 1981 to 2018. The literacy rates in Nepal and India were 32.98 and 48.22, respectively, in 1991. Thus Nepal was far behind India in literacy rate just after the Panchayat regime. The literacy rates for Nepal and India were 67.91 and 74.37, respectively, in 2018. The gap of about seventeen percentage points between the literacy rates of Nepal and India in 1991 were reduced to about six points by 2018. Nepal and India ranked 66 and 62, respectively, in literacy in 2018 (The Global Economy, 2021a). Thus, Nepal was most recently just four places behind India.

**Figure 3: Literacy rate in Nepal and India from 1981 to 2018**



Data Source: UNESCO World Development Indicators (WDI), 2020.

Another important variable for assessing level of education is the school enrollment rate. Fig. 4 shows the primary school enrollment rate for Nepal and India from 1970 to 2017. The enrollment rate in Nepal (111.05) in 1990 was already ahead of India (91.44). The 2016 enrollment rate of Nepal was 144.49, well ahead of India's 114.64 (UNESCO, 2018). Thus, Nepal has rapidly extended its lead post-Panchayat. Most importantly, Nepal ranked first in school enrollment rate in two consecutive years 2011 and 2012 and was in third place in 2019 (The Global Economy, 2021a).

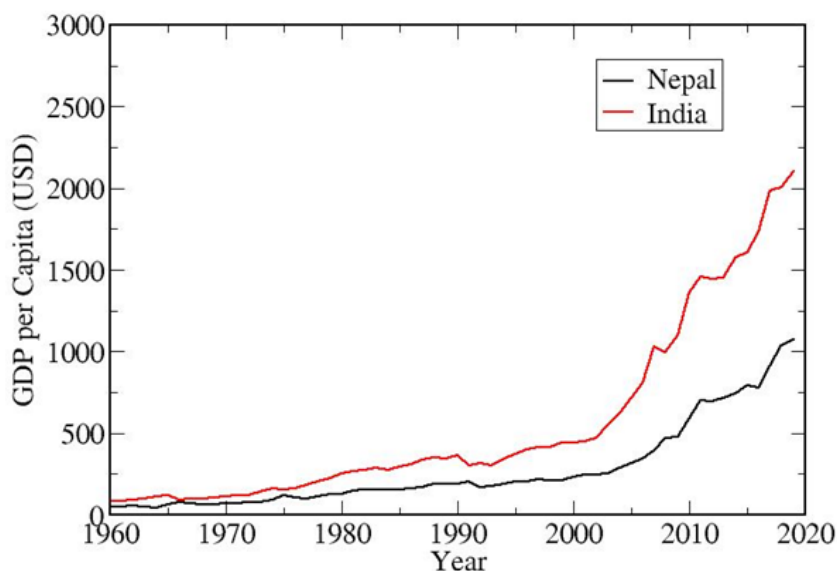
**Figure 4: Primary school enrollment rate in Nepal and India from 1970 to 2017**

Data Source: World Bank (2023)

### 3.3 Poverty

Fig.5 presents the poverty headcount ratio for Nepal and India. The poverty headcount is expressed in terms of \$1.90 PPP a day (%), i.e. the percentage of population earning less than \$1.90 a day. No data were available from the Panchayat period. A downward trend and a 66% poverty rate five years post-Panchayat in 1995 suggests an even worse poverty rate during Panchayat with approximately two-thirds of the population living on less than \$1.90 per day. This is particularly remarkable when compared with India's 1993 poverty headcount ratio of 47.6%. Nepal made great progress in the 15 years from 1995 to 2010 by reducing the poverty rate by more than 50 points. The 2010 poverty headcount ratio of Nepal stood at 15, which was well below India's 2011 figure of a little more than 20%, which also represented a significant decrease in poverty.

**Figure 5: Poverty headcount ratio at \$1.9 PPP a day for Nepal and India, 1970 to 2020. Data**

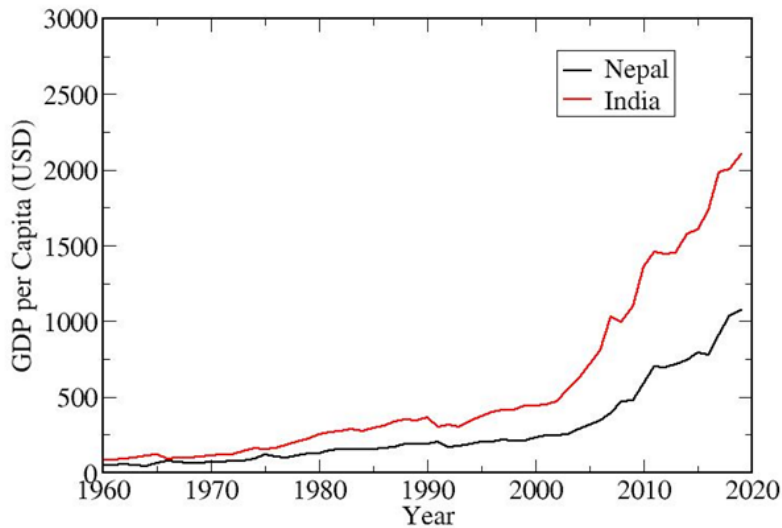


Source: Poverty and Equity Database.

### 3.4 GDP per Capita

GDP per capita reflects the status of economic prosperity of a country. The GDP per capita data for Nepal and India are presented in Fig. 6. The 1990 per capita GDP for Nepal and India was \$192 and \$368 USD, respectively. The GDP per capita for both Nepal and India has dramatically increased from the year 1990 to 2019. The 2019 GDP per capita for Nepal and India had reached \$1071 and \$2100 USD, respectively. GDP per capita increased during this period by 457.8% for Nepal and 470.6% for India with respect to their GDP in 1990. Though Nepal's per capita GDP is still about half of India's, the percentage change with respect to 1990 is nearly the same for both Nepal and India. Nepal was one of the poorest countries in the world until the early 1990s according to a World Bank Group report (Uematsu et al., 2016). This is further supported by the fact that Nepal's 1985 per capita gross national income was the lowest among the 140 countries for which data was available (Uematsu et al., 2016).

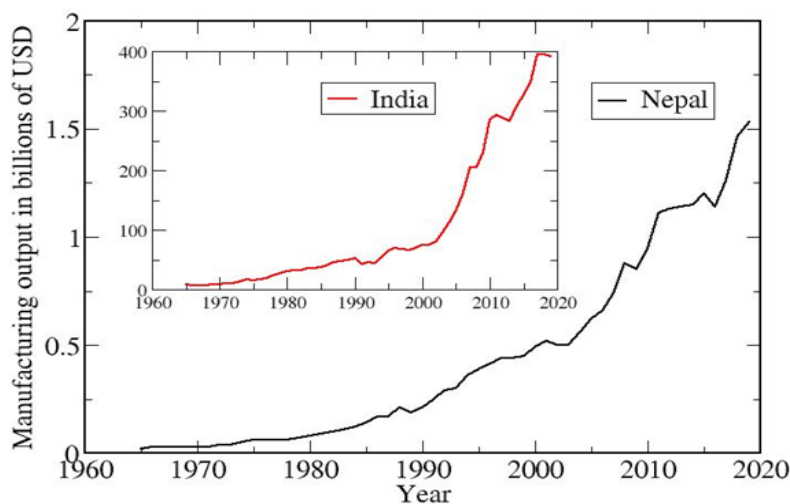


**Figure 6: GDP per capita for Nepal and India from 1960 to 2019**

Data Source: World Bank (2023a)

### 3.5 Manufacturing

Finally, manufacturing largely reflects industrial growth and also provides people easy access to commodities. Furthermore, this issue is also related to public perception in Nepal viewing the rise of privatization as one of the drawbacks of the post Panchayat period. Nepal's progress in manufacturing is shown in Fig. 7. Manufacturing output is expressed in terms of billion USD. Since Nepal's manufacturing output is much smaller compared to that of India, their plots in the same graph do not present better picture. Instead of plotting them together, India's manufacturing has been shown in the inset of Fig. 7. This way, the growth trend of manufacturing can be clearly compared. The first decade of Panchayat seems wasted in terms of the growth of manufacturing. However, the manufacturing growth of Nepal tends to follow that of India after the first decade. The trend remains more or less similar after 1990 as well. However, the steep rise of growth after 2000 in the case of India is not reflected in the case of Nepal. The main reason behind it may be the Maoist insurgency from 1996 to 2006 because the industrial sector was one of the areas hardest hit during the insurgency. Nepal's manufacturing seems to have resumed following India's trend after that period. Thus, Nepal is not lagging behind in terms of industrial development, contrary to the usual perception.

**Figure 7: Manufacturing output in billion USD for Nepal and India from 1960 to 2020**

Data Source: World Bank (2023a)

#### 4. DISCUSSION

Political stability plays a vital role in the various dimensions of development. As a result, there remains a common public sentiment that blames frequent changes of government in post-Panchayat Nepal as a hindrance for development and this sentiment should not automatically be discarded. However, political opponents of the present federal democratic republic put forward frequent change of government as the main drawback of the present system, and even go further, forecasting that the present system will not be able to provide stable government in future, either. This argument is undermined by the fact that there were also frequent changes of government under Panchayat.

There were 16 governments during the Panchayat Era following the abolition of democracy in 1960. This is a considerable figure considering the comfortable political arrangement whereby the king could just select prime ministers without elections or considering public input. Surya Bahadur Thapa and Kirti Nidhi Bista were each appointed three times. What was the point in turning to the same tested officials again and again? The shortsightedness of the ruling monarchs is further demonstrated by the fact that three of the governments during this period lasted for less than three months.

On the other hand, the government changed 28 times from 1990 to 2020. Five of the 28 changes were brought about by King Gyanendra Shah without elections. Furthermore, unlike the Panchayat period that saw a single political system, the post-1990 era has seen completely different political systems, viz. a constitutional monarchy, an absolute monarchy, and a federal democratic republic. Changes in political system and the process of bringing stability also contributed to the number of changes of government. The changes in government under the Panchayat and post-Panchayat eras are more comparable when these factors are taken into account. The monarch being solely responsible for determining government changes makes 16 changes of government in 30 years appear unnecessary and excessive.

Considering this context, a comparative examination of the various development indexes is in order. Health and education are considered fundamental for modern society. Nepal had an alarming figure of about 10% infant mortality in 1990 coupled with a life expectancy of just about 54 years, which clearly paints a very bad picture of Nepalese health under Panchayat. The literacy rate in 1991 left two-thirds of the Nepalese population illiterate. India's literacy rate, though not very impressive, was well ahead of Nepal with about half of its population literate in 1991. The comparison is relevant because India is Nepal's closest neighbor, surrounding Nepal on three of four sides, and India and Nepal both share similar religion, culture, and social structure (Paudel et al., 2018).

Nepal has made remarkable progress in achieving lower infant mortality, and higher life expectancy in the post-Panchayat period. Nepal even surpassed India in these two categories. One reason for Nepal's better performance in these health sectors could be attributed to National Health Policy-1991 (Pradhan, 2009). The policy was created by Minister of State for Health Dr Ram Baran Yadav. The policy envisioned providing at least a sub-health post for every Village Development Committee. The policy provided a larger population access to primary health facilities, which could be seen as contributing to reducing infant mortality rate and increasing life expectancy.

Nepal also made huge progress in terms of literacy and is approaching the literacy rate of India. Nepal topped the global school enrollment rank for two consecutive years in 2011 and 2012 and remained in third place in the latest ranking (The Global Economy, 2021a), demonstrating the remarkable progress made in education during the democratic post-Panchayat era. Apart from health and education, Nepal has made appreciable progress in reducing poverty reduction under democratic rule since 1990. The 1995 poverty headcount at \$1.9 PPP a day was 65% implying that about two-thirds of the population lived in great poverty. No corresponding data was found before the end of Panchayat, though it would certainly have been even more alarming

considering the trend of the decreasing gap in poverty headcount between India and Nepal since 1995. Nepal quickly matched India's level by 2005 and surpassed India's level by 2010 with only about 15% of Nepal's population living below \$1.90 a day. Such an achievement within just a decade is certainly appreciable.

Nepal's GDP per capita increased 457.8% during the post-1990 democratic period. Nepal's GDP per capita growth closely corresponded to India's, though it still remains about half of India's per capita GDP, and at least matched the regional growth trend. Similarly, growth in industrial output, which remained largely stagnant under Panchayat, has been rising steeply, following the trend of India, one of the largest economies in the world, which is also a good sign for the direction of Nepal's economic growth.

Finally, it would not be fair to leave the very high public perception about some public enterprises which were privatized by democratic governments. Monarchism advocates along with some common people believe that public enterprises were performing very well during absolute monarchism and so they see privatization as an evil act of democratic period. However, that is not the reality. The privatization effort was started by the then His Majesty's Government of Nepal (HMG) during mid-1980. Privatization policy was in fact the result of World Bank (WB)/ International Monetary Fund (IMF) conditions included in the Strategic Adjustment Program (SAP). The need for the SAP agreement between HMG and WB/IMF was caused by factors like high inflation, drastic increase in debt outstanding and about 60% rise in poverty level during 1985-1990 (Rimal, 1097). These factors clearly indicate the deteriorating economy towards the end of Panchayat and in fact these were the factors among the various reasons behind the down fall of the absolute monarchism and reestablishment of the democracy in 1990. Furthermore, in the fiscal year 1989/90 the annual loss of public enterprises stood at Rs. 240 million which increased to Rs. 1870 million in the fiscal year 1990/91 (Raut, 2012). With these pretexts the privatization act during democratic period clearly seems justifiable.

## **5. CONCLUSION**

This article compares major development indexes during the absolute monarchy under Panchayat (1960-1990) with corresponding indexes during the mostly democratic period after 1990. None of the indexes considered worsened after 1990. Instead, a considerable leap has been seen in health, education, and poverty reduction. The indexes also compared favorably with the emerging economy of India, which is one of the world's largest. India has had a single stable federal democratic republic since its independence in 1947, like Nepal since 2008. Furthermore, the achievements during the democratic era after 1990 are particularly noteworthy considering the period

featured a decade-long Maoist insurgency, absolute rule by King Gyanendra Shah, and a prolonged transition period from 2008 to 2015. The infrastructure sector was hit particularly hard during the Maoist insurgency, and numerous existing structures were completely destroyed (Upreti, 2006). Elections for local bodies were not able to be held, leaving local bodies lacking people's representatives for over a decade. This directly affected the pace of all sorts of development activities. Despite all of these challenges, the democratic post-1990 era has demonstrated far better development outcomes than the era of absolute monarchy under the Panchayat system. Thus, the argument in favor of the Panchayat Era as better for development outcomes appears to be largely baseless.

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