

Poverty in Nepal*

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Abstract

Nepal is one of the poorest countries in the world with stratified society. Although the incidence has decreased, absolute number of poor living below the poverty line has increased sharply. The methodological adjustments has underestimated the poverty incidence under Nepal Living Standard Survey round second and third (NLSS II & III). Therefore, the study concludes that the population living below poverty line in Nepal is at increasing trend but the intention of the government seems to show decreasing trend by adjusting it in different ways. Adoption of the New Economic Policies is one of the major reasons for increasing the problem of poverty, rural-urban differences and social tension in Nepalese society.

Key words: Poverty; Head Count Ratio; Rural, Urban

Concept of Poverty and Poverty Line

Poverty is a complex multidimensional problem. It is not just a matter of statistics. It is a reflection of lack of dynamism in society. It is a holistic approach of human deprivation (Kumar, 2005). Except hunger and malnutrition, several other aspects have been advocated in conceptualizing poverty, such as deprivation in terms of clothing, shelter, basic social services including primary health care, sanitation, education etc., political powerlessness and socio-cultural marginalization among others. As poverty is viewed in different ways by different economists and organizations, their views can be summarized briefly as follows:

Widespread poverty in contemporary Third World may be traced as an outcome of colonial era. During pre-industrial phase approximately four to five hundred years back. The per capita income in the traditional societies of Asia was higher than that of the modern industrialized countries (Chaudhuri, 1985). During the colonial rule, the drain of wealth through different channel transferred from Asia, Africa and Latin America to Europe. As a result, the economic gap between West and the rest of the world continued to widen. They (Asian, African and Latin American Countries) lost their economic performance and in turn, mass poverty in the present backward countries became an established fact of life.

The Income Approach

According to this approach, a person is defined as a poor if his/her income falls below a specified poverty line which is defined in terms of minimum income to fulfil a certain amount of per capita consumption level (calorie-based norm). For instance, estimates

* For detailed data based analysis see the article written by the same author published in 2006 'Impact of New Economic Policy on Poverty in Nepal' *Bhartiya Samajik Chintan*, A Quarterly Journal of the Indian Academy of Social Sciences, Vol. V, no. 1, April - June

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produced by the World Bank during the last decade are based on different poverty lines ranging from US\$ 30 to around US\$ 70 per person per month in 1985 purchasing power parity prices.

This is very narrow definition of poverty—simply reflecting poor as a low level of income. No doubt about the view that low income is clearly one of the major causes of poverty and is a principle cause of a person's capability deprivation. But it does not cover all aspects of poverty.

The income approach of poverty was criticized on the ground that increase in income may not enable a person to have a greater command over resources to meet the basic needs like health, education, safe drinking water, sanitation, shelter, etc.(Kumar, 2002). Second, households vary greatly in their capacity to convert their income into well-being (Lipton and Ravallion, 1995).

The Basic Needs Approach

This approach views poverty as deprivation in terms of not only food but also other basic human requirements, such as, access to health, education, safe drinking water, shelter, etc. Critics of this approach have focused on individuals who have remained voiceless in the society over the ages. First, it is argued that two persons holding the same bundle of primary goods may have different freedoms to achieve their respective good due to variety of factors. The factors may be individual or societal. Second, identification of basic goods is an extremely difficult task. Third, the commodities are not an end but means to desired activities. Well-being depends on a host factors, including the circumstances—personal and environmental of an individual (Sen, 2000).

The Capability Approach

Basically, this approach concentrates on Amartya Sen's view on poverty. This view recognizes the significance of a number of factors to determine the well being of two individuals with similar access to primary goods such as an individual being physically handicapped and an individual belonging from a particular deprived society based on caste or gender is a major aspect of defining their poverty level. The other significant feature of Sen's approach is the inability to participate effectively in the social life of the community reflecting political powerlessness or social exclusion which becomes an important element in conceptualizing poverty.

Sen's approach of conceptualizing poverty concerns the relationship between low income and person's ability to live in the society. It says that income is a means to an end rather than an end in itself. This approach has also many drawbacks. First, it is argued that different dimensions of capability need to be considered and measured separately. Second, no satisfactory single measure of capabilities is available. Third, the role ascribed to preferences is still unclear (Lipton and Ravallion, 1995).

Secondary Poverty

In many developing countries, consumption of alcoholic products after manual work is traditionally taken as getting relief from tiredness. Some certain group of labourers consumes such products on regular basis. They spend the major part of their income on the consumption of such products by neglecting even the necessary and productive consumption expenditure like on health and education. Therefore, high incidence of poverty among such group is not due to low level of income but is associated with their expenditure habits i.e.

unproductive consumption. This type of poverty may be defined as secondary poverty. For example, in India and Nepal, a social caste (*Dom*) and some drivers and their helpers spend their major part of income on the consumption of alcohol on regular basis. Although their income is above the poverty line, their standard of living is generally looked as and fall below poverty line.

Given the above multidimensional features of poverty, no single indicator completely describes the full range. Some estimation provides quantitative measurement while other analyses qualitative aspects of poverty. Any definition has to be understood in relation to particular social, cultural, economic and political contexts. However, it is well understood that inadequate command over basic goods and services is the most important dimension of poverty.

Poverty Line

In most developing countries, poverty line is estimated in terms of income/consumption poverty i.e. Head Count Ratio (HCR) and people falling below this poverty line are considered to be absolute poor. This poverty line estimate is based on food expenditures required to attain a certain calorie level, supplemented by a certain allowance for non-food items.

According to Kumar (2002), this concept of poverty line is flawed for several reasons, some of which are: First, the minimum required by an individual in society is socially defined and changes with the context and the times. Second, expenses incurred to earn this minimum must also be taken into account in the definition. Apart from this even if poverty line is not redefined with respect to the changing social circumstances, a person crossing any given poverty line by a few rupees does not stop being poor. Third, this line only defines extreme poverty but not poverty. Fourth, people will not in general prefer constant consumption over the life-cycle.

Causes of Poverty

In many developing countries, widespread poverty has persisted because of three main reasons: slow rate of growth, biased growth pattern, and failure of government policies. A slow rate of growth has dual effect: it decreases income and employment and increases the rent-seeking behaviour of the politicians in favour of non-poor like businessmen, large farmers, bureaucrats, trade unions, and the security personnel.

Secondly, the incidence of poverty persists for long time if the pattern of growth is urban biased. It displaces unskilled labour, alters relative prices to the disadvantage of the poor, creates a gender gap, deteriorates child welfare, and erodes traditional entitlements that have served as safety nets (Meier, 1997).

Poverty becomes more deep-rooted when traditional means of support and entitlements break down in course of development. Traditional safety nets disappear with the break-up of the extended family, erosion of village economies, immigration, and emphasis on individualism instead of community concept. The situation of extreme poverty becomes more pathetic when the traditional support systems are not replaced by new transfer mechanism (Meier, 1997).

Women and female-headed households are more poverty stricken in underdeveloped countries. In many developing countries, particularly in Muslim society, women are

restricted to enter in labour market. They are confined to low productive labour intensive work. They are paid low wages than the male workers for similar work.

While poverty exists in both rural and urban areas, it is well known that the problem in developing countries is predominantly of rural poverty. Agricultural labourers with irregular employment constitute the major part of the rural population.

There has been a significant drop in the percentage of people living in extreme poverty i.e. living on less than US\$1 per day between 1980 and 2000 around the globe. The decrease was primarily due to decline in the number of poor in China as a result of its high growth from 1980 onward. Since 1993, there have also been encouraging signs of poverty reduction in India. By contrast, Sub-Saharan Africa has seen increased poverty incidence steadily (WB, 2006).

South Asia is home to the largest number of the world's poor. While the incidence of poverty as defined by HCR has shown some decline in all South Asian countries over the years, a sizable proportion of the population in all the countries still live in poverty. The percentage of poor living in South Asia has increased from 32 per cent in 1981 to 40 per cent in 2001 of the total world poor (World Bank, 2006).

Nature and Incidence of Poverty in Nepal

With a per capita income of US\$ 700 (US\$ 1,470 in PPP term) in 2012 (WDR, 2014), Nepal is one of the poorest countries in the world with highly stratified society. Poverty in Nepal is widespread and persistent. The latest survey, Nepal Living Standard Survey (NLSS) II conducted by Central Bureau of Statistics in 2003-04 shows that 31 per cent of the total population lives below the poverty line. The World Bank has viewed that everyone, except few professionals, businessman and some large farmers in Nepal are poor (World Bank, 1999). The fundamental reasons behind widespread poverty are: Inefficient and corrupt administration, huge amount of black income generation (data not available but as accepted by many as a real life situation), sluggish growth rate relative to rapid population growth, mismanagement of foreign assistance, political exclusion etc.

There are wide variations in poverty level based on rural-urban divide, geography, gender, ethnic groups and occupational castes. The mid and far-western development regions are characterized by high level of poverty. It is estimated that 95 per cent of poor live in rural areas. Out of these rural poor, four-fifth are either self-employed, agriculturists or agricultural labourers. The average land holding of poor farmers is much less than that of non-poor. It is higher among women, *dalits*, tribes and female-headed households.

The female-headed households in general and widow-headed households in particular are poorer if there is no adult male present in the household. The number of widow-headed households has significantly increased during the period of Maoist movement particularly after armed conflict since 2001. During the period from 2001 to 2005, almost fifteen thousand people have been killed by both sides- the government and the Maoist rebels.

For the first time, a large scale national level household survey of income distribution, employment, and consumption pattern was conducted by the National Planning Commission (NPC) in 1976-77 and it had estimated that 36 per cent of the total population lived below the poverty line based on minimum per capita daily calorie requirement of 2,256 calories. It showed that poverty incidence in the rural areas was higher than urban areas and it was more intense in the mid-western and far-western development regions.

The next large-scale survey, a Multi-purpose Household Budget Survey (MPHBS) was carried out by Nepal Rastra Bank (NRB) in 1984-85. The survey provides data for the three ecological belts which is not found in the NPC study. It was estimated that poverty incidence was 42 per cent of total population, again with an incidence of rural poverty (43.1 per cent) far higher than urban poverty (19.2 per cent), as well as wide variation within the rural areas across the ecological zones, hill with the highest incidence of poverty i.e. 52.7 per cent.

In 1989, the World Bank/UNDP used the NRB survey of 1984 and updated the poverty line on the basis of the CPI of 1989. According to this estimate, 40 per cent people were living below the poverty in Nepal in 1989 and the ratio was 42 per cent in rural areas.

Nepal lacks reliable and consistent data on poverty trend till 1996. The poverty related surveys prior to NLSS have adopted different methodologies and conducted with different objectives. Therefore, their poverty estimates are not comparable to each other over time.

NLSSs conducted by CBS in 1995/96, 2003/04 and 2010/11 by using the cost-of-basic-needs (CBN) method has concluded that the incidence of poverty in Nepal has drastically declined from 42 per cent in 1995-96 to 25 per cent in 2010-11 (CBS, 2011) as presented in Table 1 below.

Table 1: Incidence of Poverty by Region

Region	1995/96	2003/04	2010/11
Mountain	56.0	33.0	42.3
Hills	41.0	34.0	24.3
Terai	42.0	28.0	23.4
Urban	23.0	10.0	15.5
Rural	44.0	35.0	27.4
Nepal	42.0	31.0	25.2
Eastern Development Region	39.0	29.0	21.4
Central Development Region	32.0	27.0	21.7
Western Development Region	39.0	27.0	22.2
Mid-western Development Region	60.0	45.0	31.7
Far-western Development Region	64.0	41.0	45.2

Source: CBS (Central Bureau of Statistics), 2005, & 2011, National Planning Commission.

It is clear that the ecologically mountain region has highest concentration of poverty followed by the *Terai* and the Hills. Similarly proportion of poor in rural areas is much higher than that of urban areas. Mid and far-western development regions have more concentration of poverty (table 1).

Table 2: Trends in Absolute Number of Poor below Poverty Line

Year	Poverty Incidence (%)	Total Population	Population below Poverty Line
1977	36.2	13,052,238	4,224,910
1985	42.5	16,660,194	7,080,582
1996	42.0	20,495,852	8,608,258
2004	30.8	24,749,568	7,622,866
2011	25.2	26,494,504	6,676,615

Source: Calculated from CBS and World Bank Data

Table 2 reveals that the absolute number of poor living below the poverty line has increased sharply in Nepal, i.e., from 4.2 million in 1977 to 6.7 million in 2011.

Poverty Lines and Reliability of Poverty Data in Different Surveys

Lots of manipulations in data have been carried out to estimate incidence of poverty in Nepal. In order to estimate people living below poverty line, NLSS 1996 has reduced the calorie requirement per capita per day to 2,124 as compared to earlier surveys in which that requirement was 2250-56 as shown in Table 3. Therefore, poverty estimation of NLSS seems to be non-comparable to other surveys. If calorie requirement of NLSS is adjusted according to earlier survey of 1977, the incidence of poverty in Nepal will increase.

Table 3: Poverty Lines and Incidence of Poverty in Different Surveys in Nepal

Source	Year	Sample Households	Calorie Requirement Per Capita Per Day	Incidence of Poverty
NPC	1976-77		2,256	36
MPHBS/NRB	1984-85		2,250	42
WB/UNDP	1989		2,250	40
NLSS I /CBS	1995-96	3,912	2,124	42
NLSS II/CBS	2003-04	3,373	2,124	31
NLSS III CBS	2010/11	7,200	2,124	25

Source: World Bank, NPC, & CBS

The number of sample household in NLSS I and NLSS II has been different. The number of sample households in NLSS II has been decreased to 3,373 from 3,912 in NLSS I, i.e., by 14 per cent (table 3). This could also have affected the estimation of poverty incidence. Similarly, NLSS II was being conducted when there was intensified armed conflict between the government and the Maoist rebels. Although 3,373 households were sampled throughout the country to accomplish the survey, it is doubtful whether the data was collected properly by the enumerators by interviewing the household heads particularly in high conflict intensity districts.

Who are the Poorest in Nepal?

Landless agricultural labourers are the poorest group in Nepal. A majority of the economically and socially weaker sections of society, such as *Dalits* (scheduled castes), *Janjatis* (scheduled tribes), and *Kamaiyas* (bonded labourers) make up the majority of landless agricultural labourers. They are often characterized by: informal credit and debt trap, unfavourable work condition, limited capability to benefit from public services such as education and health, negligible political participation, low social status, low labour productivity, casual and seasonal employment, unorganized, uneducated, unskilled and lack of training, less bargaining power and so on. *Kamaiya* labourers system is especially deep-rooted in West Nepal but the system is abounding in other part of the country as well.

Landless agricultural labourers can be classified into two broad categories: Permanent Labourers attached to cultivating households and Casual Labourers. Permanent labourers generally work on annual or seasonal basis and they work on some sort of contract. Their wages are determined by custom or tradition. They are generally illiterate, ignorant,

unorganized, and unskilled workers carrying on agricultural operation in the centuries old traditional wages. There is hardly any motivation for change or improvement. Since, there is direct supervision by the landlord, there is hardly any escape from work. On the other hand temporary or casual labourers are engaged only during peak period for work. Their employment is temporary and they are paid at the market rate. They are not attached to any landlords.

Land is a principal source of income and employment for majority of households in Nepal. The incidence of poverty among the landless varies significantly between those households which are landless and depend on agricultural wage income and those which are landless but not agricultural wage earners. When dividing non-cultivating households into those reliant mainly on casual wage income and those for whom salaries are the principal source of income, the incidence of poverty among the former group is very high.

Many of social evils such as bonded labour and child labour relationships are because of landlessness. Problem of child labour is rampant in Nepal and the important source of supply of child wage workers is landless households in rural areas. Isolated efforts to solve child labour problem are having a minimal contribution in solving the problem as a large reservoir of potential entrant in the market exist. Here too, the landless households need to be availed access to land and wage/income opportunities to stop supply of child labour. In general, the efforts are geared towards regulating demand of child labour, which is rendered ineffective till supply remains unlimited.

Causes and Multivariate of Poverty

Two important views are attributed to the causes of mass poverty in the developing countries. They are: the vicious circle approach and the polarization of wealth approach. The vicious circle of poverty is related to low level of income. Low level of income generates low level of savings. Low level of savings reduces the scope of investment. Low level of investment yields low level of income and the circle of poverty goes on infinitely. On the other side, polarization of wealth is related to exploitation of masses in a capitalist economy. Capitalism is characterized by the amassing of wealth at capitalist class and deprivation of the other through various ways. Poverty under capitalism is created by the accumulation of capital with more profit motive. The following factors among others are considered to be the major causes of poverty in Nepal.

Nature of Employment and Poverty

The loss of income caused by unemployment is considered to be a major cause of poverty. Unemployment has other many effects other than loss of income like psychological harm, loss of work motivation, loss of skill and self-confidence, morbidity, disruption of family relations and social life, hardening of social exclusion and accentuation of racial tensions (Sen, 2000).

Employment problems are entrenched in the marginalized groups located largely in rural and backward areas of the country. The worsening employment opportunities, declining real wage rates and reduced hours of work have reduced the total income of the labour force particularly after introduction of New Economic Policies (NEP).

Employment in Nepal is largely unorganized, rural and non-industrial in nature. The rate of rural underemployment in agriculture sector is reported to be over 40 per cent.

Opportunities for employment in agriculture sector are very few and the demand for agricultural labour is highly seasonal. The rural poor are also being crushed under the burden of inherited and increasing debt burden at a much higher rate of interest (from 36 to 60 per cent) than the institutional rate. The households headed by agricultural wage earners are the prominent group of poverty in Nepal.

Growth, Inequality and Poverty

The proponents of neo-liberal economic policy claim that higher economic growth reduces poverty through trickle-down effect. They feel that growth at any cost has become acceptable and nothing should be done for distribution. In many developing countries like China and India, some feel that due to higher economic growth, it is inequality that increased while poverty has declined. The average income in the richest 20 countries is now 37 times that in the poorest 20. The ratio has doubled in the past 40 years (WB, 2006). On the other hand many believe that there is an apparent contradictory situation where growth rate seems to have increased but poverty is getting more entrenched (Kumar, 2005).

During the last 30 years, the annual GDP growth rate fluctuated between 2 to 6 per cent. The agriculture sector supports the livelihood of more than three-fourth of the population in Nepal. There is no remarkable increase in growth rate during the period of substantial decline in poverty incidence which shows that there is no relationship between growth rate and poverty incidence in Nepal.

The relationship between growth and poverty becomes complex because growth is always associated with distribution and therefore, relationship between growth and poverty cannot be analysed without considering distribution aspect. Concentration of income among few elites living in the urban areas has increased the violent movements in the country. Income distribution worsened due to declining real wages, growing tax evasion and avoidance, and pervasive corruption in public services. Distribution of income has more skewed within particular areas and regions. Kathmandu valley and hill towns have achieved a higher level of living standards, but no improvement is visible in rural areas. Urban-rural differences have increased and minority has benefited.

Level of Education and Poverty

Most of the illiterate peoples have less earning capacity. If people are educated, their income level is generally higher than just literate and illiterate. Education increases employment opportunities and then income level. According to NLSS, poverty in Nepal is concentrated in rural areas and mid and far-western development regions. Illiteracy is twice as high in rural areas as it is in urban areas and 15 per cent higher in mid and far-western regions than in other rural areas. The regions with the highest incidence of poverty also have high illiteracy rates (WB and CBS, 2011).

Skewed Land Ownership and Poverty

Highly skewed Land distribution in favour of big holders is one of the most important causes of poverty. Roughly, at present productivity level, if one hectare per family is considered as the minimum requirement for maintaining a family of 5-6 in the rural area, then using this criterion, it is clear that more than half of the population is likely to be below the poverty line (Shrestha, 2001). The distribution of land has been highly skewed in Nepal. Poverty incidence is less among households who own more land and vice versa.

Black Economy and Poverty

Black income generation through illegality in legal and illegal activities and corruption in most of the developing countries is a systemic phenomenon. The rising share of black economy affects almost all the macro-economic variables. It reduces the rate of economic growth, leads to higher budgetary and fiscal deficits, raises cost of production and so on (Kumar, 2002). Shortage of budgetary resources directly affects expenditure on social infrastructure like health and education (Kumar, 1997). All these negative effects of black income generation in an economy directly lead to policy failure and affect the poverty reduction programmes of the country. No estimate has yet been available regarding the size of black economy in Nepal. National and international experiences indicate that it has been rampant and there has been great effect of black economy on poverty in Nepal.

Human Poverty in Nepal

UNDP introduced the concept of human poverty through Human Development Index (HDI) in its *Human Development Report* in 1999 to look beyond income poverty to other aspect of human deprivation. It comprises lack of capabilities, political freedom, and personal security, inability to participate in decision-making process and participate in the life of community. The Human Poverty Index (HPI) seeks to measure the degree of deprivation in these areas by examining five attributes of deprivation: illiteracy, malnutrition among children, early death, poor health care and poor access to safe water.

The HDI has been subjected to criticisms from several angles. It is argued that HDI rank does not fully capture poverty in the developing countries. The weight given to various indicators of human development in HDI has been based on western standards which cannot be applicable in the context of developing countries. So it is necessary to assign different weights for different countries according to their state of development to represent actual ranking of the countries in HDI. It may also be pointed out that there are several other dimensions of human development which do not find mention in the HDI. The HDI does not provide any indication whether it has led to any improvement in the quality of life (Kumar, 2002).

Nepal has made significant progress over the past two decades in terms of human development indicators. Despite significant progress, human development indicators are still low with significant urban/rural and geographical variations. The Human Development Indicators for rural areas are far below than that of urban areas. Among ecological zones, HDI for mountains is far below than the hills. Similarly, among the development regions, HDI is highest for central region followed closely by eastern and western regions and it is much lower for mid-western and far-western regions.

Women's participation in paid employment is limited in Nepal. They currently account for only a third of the paid labour force. Their wages for the same type of work has been less than men's wages. A majority of women live in male-headed households. Women's legal right to inherit parental property is still limited.

Human Development Indicators clearly show existing gender disparities in Nepal. For example, despite significant progress, the adult literacy rate of women is far below than that of men. This is also visible in the indicator for average years of schooling. Representation of Nepalese women in civil and all three levels of elected government lag far behind that of men.

Nepal is a pluralistic society with diverse ethnic, caste, linguistic and religious communities. For every Human Development Indicators, *Janjati* Groups fall below the national average. The situation is even worse in Hill *Dalits*. Human Development Indicators for *Bahun*, *Chhetri* and *Newar* are much higher compared to Hill *Janjati* and *Dalits*.

Political Poverty

Exclusion refers to process through which an individual or groups are wholly or partially deprived in social, economic or political participation by the society in which they live. It is a socio-economic and political discrimination on the basis of caste, gender, religion, ethnicity nationalities etc. There is widespread feminization of poverty and is likely to be chronic in male-dominated societies. The level of education, health and nutrition among women and girls are much lower than those for men and boys, particularly in rural areas. For some work, typically women get lower wage than men. In some cultures, widows face barriers against employment or remarriage, and are treated as second-class family member within the home, leading to high risks of poverty. Most of the poor children are born from malnourished and illiterate mothers and suffer from birth complications like low birth weight, neonatal tetanus leading to high infant mortality risk.

The important sources of malnutrition in the developing countries are: dietary pattern which emphasize cereals but lacks protein and vitamin, seasonal epidemic diseases like malaria, diarrhoea, dysentery, typhoid, etc., and parasitic infestations-especially among children, lack of nutritional knowledge, superstitions, culture, inappropriate process and other handling, processing and storing problems, frequent and premature child bearing and so on. Poor children suffer from acute respiratory infections, diarrhoea, typhoid and malnutrition.

About 41 per cent *Dalits* live below poverty line. The vulnerability of *Dalits* women is not simply due to their poverty, economical status, or lack of education, but is a result of the severe exploitation and suppression by the upper classes. Female infanticide is more prevalent among the uneducated *Dalit* families. Gender discrimination starts at the very early stage in the life of a *Dalit* girl. Early marriage, polygamy, permanent widowhood etc. are deep-rooted. Therefore, *Dalit* women face triple burden of caste, class and gender in Nepalese society.

Table 4: Poverty Measurement by Caste and Ethnicity of the Household Head

Caste	1995-96	2003-04	2010/11
Upper caste (Hill-Terai)	34.1	18.4	17.4
Middle caste Terai)	28.7	21.3	28.7
Dalits (Hill-Terai)	57.8	45.5	40.9
Newar	19.3	14.0	10.2
Hill Janjati	48.7	44.0	28.2
Tharu (Terai Janjati)	53.4	35.4	25.9
Muslims	43.7	41.3	20.2
Other	46.1	31.3	12.3
Total	41.8	30.8	25.2

Source: Poverty Trends in Nepal, 1995-96 and Patel, 2012

All these excluded groups have very low participation in governance from the very beginning till date in Nepal's history. The proportion of *Bahun*, *Chhetri*, and *Newar* in all the bodies of governance: main political parties, cabinet, parliament, legislature, judiciary, civil service has been dominant and has increased over time. Their dominance in civil service increased from 70 to 90 per cent between 1985 and 2002 (DFID and the WB, 2006). Women have never gained more than six per cent of the seats in the lower house of parliament. The *Madeshi* community shares 32 per cent of the country's total population, their representation in governance has been less than 10 per cent. Similarly, the representation of *Dalits* and *Janjati* has also been very low.

In Nepal, *Dalits* comprising *Damai*, *Sarki* and *Kami* have been highly poverty affected. There is no data provided for *Terai Dalits-Dom*, *Mushar*, *Dusadh*, *Chamar* etc. who are prominent groups of poverty. Next poverty-stricken group in Nepal are Tribal. Again the most poverty-stricken groups of *Terai* tribes have been ignored in NLSS survey. According to some analyst and activist from *Terai* region, this type of disaggregated data presentation has been politically biased. It is widely believed by the *Terai* people that the Hill/Mountain people, who have been in power, want to discriminate against *Terai* region by providing for less budgetary allocation in the development process in the *Terai* region. Their intension is to conceal the fact of poverty concentration in the *Terai* lest it comes to the notice of the international community.

Poverty Reduction Efforts in Nepal

Various direct policy interventions have been used by the governments of the developing countries in order to reduce poverty. Geographic targeting has been recommended extensively because regional disparities in living standards are common in developing countries. There is a negative correlation between land-holding and poverty in much of the rural areas of the developing countries, especially in South Asia. This suggests a variety of land-contingent targeting such as land reforms and transfer payments to the landless. Direct actions including land expansion for the poor, settlement schemes and land redistribution schemes are advocated by many governments in Nepal, particularly by United Marxist-Leninist (UML) party. However, these policies were never implemented. Rural credit, investment in rural infrastructure and direct interventions such as relief work schemes have been implemented as key policy interventions for poverty reduction.

The importance of poverty reduction and improvement of the living standards of the people has been emphasized in almost all the plans in Nepal directly or indirectly. However, poverty reduction as an explicit goal of planning was made only in the mid-1980s. The Seventh Five Year Plan (1985-90) was the first attempt to really integrate long-term poverty reduction into the planning process. The first elected government after the restoration of multi-party democracy in 1990 formulated the Eighth Plan (1992-97) in which poverty alleviation, regional balance and sustainable development were stated as the national goals. The Ninth Plan (1997-2002) was formulated with poverty reduction as its sole objective and introduced long-term targets for poverty reduction. The aim was to bring down the incidence of poverty from 42 per cent to 32 per cent by 2002 by accelerating the rate of GDP growth to 6 per cent per annum. The plan incorporated the 20-year Agricultural Perspective Plan (APP) launched in 1997. The APP aimed at accelerating agricultural growth from around 3 per cent per annum in the 1990s to 5 per cent per annum in the next twenty years. Since then all periodic plans of Nepal are focused towards poverty alleviation.

The reduction in the incidence of poverty, according to NLSS, has been associated with remittances received from foreign employment. Remittances from abroad soared and increased from NPR 12 billion in fiscal year 1995/96 to NPR 259 billion in fiscal year 2010/11 (CBS, 2011).

Table 5: Structure of Remittances Received

Description	1995/96	2003/04	2010/11
Percent of all HHs receiving remittances	23.4	31.9	55.8
Nominal average amount of remittance per recipient HH (NPR)	15,160	34,698	80,436
Share of remittances in total HH income among recipients	26.6	35.4	30.9
Nominal per capita remittance received for all Nepal (NPR)	625	2,100	9,245
Nominal total amount of remittance received (Million NPR)	12,957.8	46,365.5	259,088.5

Source: CBS, 2011, National Planning Commission, Government of Nepal

India has been the most popular destination for Nepalese migrants. Households with illiterate household heads are more likely to migrate to India for seasonal work. Dalit and Madheshi migrants receive their major proportion of remittances from India where wage rate is very low compared to other destination countries.

However, migration, in recent years, has increased sharply with the opening up of newer markets for Nepali labour in the Republic of Korea, Malaysia, Qatar, Saudi Arabia and other Middle Eastern countries. Better educated people receive a higher proportion of their remittances from foreign countries other than India. The groups with the largest share of migrant members who are working abroad in place other than India are the Hill *Janjatis* followed by *Muslims*, who are in high demand in the Middle East. *Muslims* are one of the prominent poor groups in Nepal and remittances received by them from Middle East countries have been increasing over recent years. Similarly, *Dalits* and *Madheshis* migrants also receive huge amount of remittances from India. Therefore, remittance received by *Dalits* and *Muslims* is one of the major reasons in reduction of poverty incidence in Nepal.

Concluding Remarks

Nepal is one of the poorest countries in the world in terms of income, human, and political poverty. Landless agricultural labourers are the poorest group in Nepal. It is more in mountains and mid and far-western development regions. It is also higher among *Dalits*, tribes, and female headed households. In spite of continuous commitment and efforts made by the government to reduce the incidence of poverty in Nepal, it is widespread, pervasive, and persistent particularly in rural areas because of inefficient and corrupt administration especially in the public sector, regional discrimination in resource allocation and so on.

Although the incidence of poverty has decreased from 42 per cent in 1996 to 25 per cent in 2011, data show that the absolute number of poor living below the poverty line has increased sharply in Nepal, i.e., from 4.2 million in 1977 to 6.7 million in 2011.

The NEP launched in the mid-eighties has further increased the problem of poverty and social tension in every aspect of Nepalese society. Rural-urban differences have increased and a small minority has benefited. Urban people have achieved a higher level of living standards but no improvement is visible in rural areas.

In order to estimate people below poverty line, NLSSs has reduced the calorie requirement per capita per day compared to earlier surveys. If calorie requirement of NLSS is adjusted according to earlier surveys, the incidence of poverty in Nepal will increase.

The number of sample households in NLSS II has been decreased from NLSS I by 14 per cent which could also have affected the estimation of poverty incidence. NLSS II was being conducted when there was intensified armed conflict and therefore it is doubtful whether the data was collected properly in high conflict intensity districts.

The agriculture sector supports the livelihood of more than three-fourth of the population in Nepal. The agriculture growth rate during the period of 1976-2014 was at 2.5 per cent, almost similar to population growth rate. There is no remarkable increase in growth rate during the period of substantial decline in poverty incidence which shows that there is no relationship between growth rate and poverty incidence in Nepal.

No estimate has yet been available regarding the size of black economy in Nepal. National and international experiences, however, indicate that it has been rampant and there has been great effect of black economy on poverty. Therefore, there is an urgent need to conduct a nationwide survey to estimate the magnitude of black economy in Nepal.

The reduction in the incidence of poverty, according to NLSS, has been associated with remittances received from foreign employment. *Muslims* and *Dalits* are the prominent poor groups and remittances received by them from Middle East countries and India respectively has been increasing over recent years. Therefore, remittance received by them may be one of the major reasons in reduction of poverty incidence in Nepal.

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