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*Understanding the Land Issues and Agrarian Reform in Post Conflict Nepal*

## **Assessing the impact of the Agriculture Perspective Plan (1995 to 2015): The maoist insurgency on rural lives in Nepal and reflections on the current Agricultural Development Strategy**

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# **ASSESSING THE IMPACT OF THE AGRICULTURE PERSPECTIVE PLAN (1995 TO 2015): THE MAOIST INSURGENCY ON RURAL LIVES IN NEPAL AND REFLECTIONS ON THE CURRENT AGRICULTURAL DEVELOPMENT STRATEGY**

John Cameron\*, Phaindra Pandey\*\* and Bimala Kafle Wagle\*\*\*

## **ABSTRACT**

The fifteen years between 2053 and 2072 in the Nepalese calendar (approximately 1996 to 2015 in the Gregorian calendar) were potentially dramatic for rural development in Nepal. A twenty year market oriented, Asian Development Bank funded and technically assisted, national Agriculture Perspective Plan (APP) was in the early stage of implementation and a Maoist movement was about to launch an armed struggle in rural area that would become a national civil war lasting ten years.

The APP had envisioned agriculture intensification for agriculture based economic growth adequate to generate employment to combat poverty in Nepal. The comparison of two Nepal Living Standards Surveys (NLSS) results from 1995/96 and 2010/11 suggests that agricultural production has not changed substantially in the topographically advantaged west rural plains (terai) areas, where the Maoist insurgency had relatively small direct influence. Overall, the Nepalese economy appears to be both moving away from agriculture (share of non-farm income rising from 15% to almost 40%) and feminising (women headed households in the rural western terai rising from under 9% to over 24%). However, over fifteen years there have been significant changes in the livelihood patterns of different caste/ethnic/religious groups.

This paper deals with identified five different types of changed behaviour to show the range of responses and links are made to misrecognised key elements in political economy of Nepal, the Maoist insurgency and the Nepal State conflict.

**Key words:** agriculture; institution; extension services; interaction; productivity

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## INTRODUCTION

The twenty Gregorian calendar years from 1996 to 2015 (2053 to 2072 Bikram Sambat Nepali calendar) have been momentous for the Nepalese people and state. The first decade was politically dominated by armed conflict between the forces of the Nepalese state and Maoist insurgents. This was punctuated by the assassination of the then king Birendra in 2001. Subsequently, the Maoists entry into electoral politics and the unpopularity of the new king ensured a peaceful transition to a republic in 2008 and adoption of a new constitution in 2015, but without any substantial change in the state bureaucracy and military structures.

In terms of state economic development strategy, the twenty years were focused on implementing a national Agriculture Perspective Plan (APP). The Asian Development Bank (ADB) had funded the development of the twenty year plan in the mid-1990s. The planning team was led by John Mellor and the APP was designed in the spirit of his book 'The Economics of Agricultural Development' (Mellor, 1966) with a mixture of liberalising marketization and public sector technocratic infrastructure support.

It would be inappropriate for any writing pertaining to Nepal in 2015 not to recognise the year's horrific earthquakes which exposed the environmental physical vulnerability of Nepal and the continuing ineffectiveness of the Nepalese state. The spatial concentration of destruction from earthquakes in the central regional is more towards northern part of Nepal, including Kathmandu. But the focus of this paper

is on the effects of Maoist insurgency in the rural lives of Nepal and APP implementation although the devastation of earthquakes have not fundamentally affected the APP implementation.

The impact of Maoist insurgency was strongest in the far west hills of Nepal, though it disrupted the entire country. In spite of the fact that its effects were national, structural effects of the Maoist insurgency on rural lives were strongest away from the earthquake destruction zone, with the exception of the Gorkha district which was a centre of both Maoist activity and the first of the earthquakes.

The APP was focused on agricultural potential rather than basic needs and poverty. The perceived technical agricultural potential in the APP was heavily concentrated in the plains (the tarai) in the south of Nepal. Some opportunities, e.g. vegetable and vegetable seed production, were identified for the hills. But these opportunities were more suited to the eastern hills with their higher monsoon rainfall than the national average. Neither the tarai nor the eastern hills were heavily affected by the 2015 earthquakes.

The theoretical framing for the paper utilises the livelihoods approach and its associated behavioural assumptions of household level rational decision-making aimed at achieving household income gains compatible with long duration eco-economic and cultural sustainability (Blaikie et al, 2002).

The quantitative empirics of the paper utilise data from two Nepal Living Standard Surveys (hereafter NLSS) conducted in

1995/96 and 2010/11. Such surveys have a positive global reputation in terms of standards of household data collection. The World Bank developed a state-of-the-art, standardised methodology for such surveys, including questionnaire design, sampling techniques, interviewers' selection and training, computerised field data processing, and statistical analysis. The surveys do allow for some contextual variations in questions and this licence was used in Nepal to collect specific data on household self labelled caste/ethnicity/religious status relevant to Nepal.

Qualitative insights were also derived from the experiences of three authors' living and researching in Nepal. Two of the authors are Nepalese citizens and have undertaken recent post-graduate research in Nepal. The non-Nepalese author first undertook research in Nepal in the 1970s and has lived in Nepal in total for about five years since that time (Cameron, 1995; Pandey, 2012; Wagle, 2014).

## **THE VIEW OF APP PERFORMANCE FROM 'ABOVE' IN 2015**

The state of Nepalese agriculture around 2012 and the role of the APP was summarised, accurately in our view, in the new Agricultural Development Strategy in the following quotes:

'Current Situation of the Agricultural Sector in Nepal. Nepal's Agriculture is in a low development stage. Even though majority of the population is engaged in agriculture, productivity

and competitiveness of the sector is low, adoption of improved technology is limited. Despite the most cultivated area is devoted to cereals, there is a growing food trade deficit and high malnutrition. Some subsectors such as dairy processing, lentil, maize tea, and vegetables show dynamism, but overall, these positive signs are not yet sufficient to lift a large number of people engaged in agriculture out of poverty and make a dramatic dent in reducing malnutrition and assure food security of the nation' (Agricultural Development Strategy, 2015, 22).

The APP formulation was based on a narrow view of technology excessively focused on a green revolution perspective that is not appropriate for large parts of Nepali agroecology. APP implementation was poor because of limited support in terms of resources, policies, and institutions needed to carry out its program. APP ownership was weak and the leading stakeholders of the agricultural sector – farmers, private sector, cooperatives – were not actively involved in its formulation and implementation. Land issues were left unresolved (Agricultural Development Strategy, 2015, 23).

This paper will explore the APP physical production performance and explanations of that performance using micro-level data from the two NLSS surveys that bracket the conflict and most of the APP period. The paper then looks at changes in socio-economic distributional patterns between 1995/96 and 2010/11 through the NLSS lenses.

## **NLSS FINDINGS RELATING TO THE APP PRODUCTION AMBITIONS**

Key findings relevant to APP objectives from the two surveys are summarised in Table Annex 1, with some preliminary interpretive comments included in the last column of the Table. The focus of the Table is on the western rural region of the tarai; an area well known to two of the authors of this paper in terms of qualitative data collection. The APP emphasised increasing production where there was underused ground water irrigation potential and possibilities of increased yields through purchases of external inputs and some market driven 'rationalisation' of land holdings.

'fortunately, the tarai is amply endowed with accessible groundwater supplies,... ,to accommodate the APP growth rate for high value commodities' (Central Bureau of Statistics, 1995: 70).

'Roughly half of incremental output will be attributable to increase fertilizer use' (HMG National Planning Commission, 1997: 89).

The authors' own research from the 1972 to 2012 found the rural western tarai to be well situated in all these characteristics to respond strongly to the APP's initiatives with underutilized ground water (shown by much land lying fallow in the winter months), low usage of chemical fertilizer and fragmented land holdings. But the NLSS findings suggest only small gains in the first fifteen years of APP implementation. For the purpose of this paper, it is also relevant that the western

rural tarai was little affected by the Maoist insurgency and the Nepalese state's military activities. So, farmers' responses to the APP could not be attributed to the conflict.

To analyse the Table, the data is divided into six livelihood categories of assets: human assets, natural assets, produced assets, social assets, financial assets.

The outcomes of these asset combinations are then summarised as overall sectoral/distributional changes plus income/food security changes as indicators of well-being.

### **Human assets**

The two surveys suggest that the intervening fifteen years saw changes in the composition and use of human assets. Significant decrease in agricultural self-employment and increase in non-agricultural self-employment may be seen as consistent with the APP general objective of raising productivity in agriculture and Mellor's specific model of increasing local linkages (upstream/downstream/consumer demand) between agricultural and non-agricultural activities.

But the most notable change in the use of human assets between the two surveys is the increased incidence of migration, especially the recognition of international migration outside India in the later survey. This migration appears to be 'umbilical' in the sense that the migrants appear to remain recognised members of their households presumably with the expectation they will return (and remittance data discussed below confirms this). The influence of such

umbilical migration on rural livelihoods was a phenomenon identified earlier in research carried out in the mid-1990s in trying to explain an apparent paradox of continuity in 'average' rural livelihoods (and an increasing concentration around that 'average') in the face of both increasing population and little increase in agricultural production.

A human asset change that may be associated with increased migration is increased schooling, indicated by a substantial quantitative increase in claimed literacy in the surveys and more anecdotally the visual increase in 'English Boarding' schools placards which do not have borders and probably teach in poor English. In the wider context, the increasing tendency for destination countries to require evidence of education certification is also a contributing factor to increased schooling.

Another change in local rural human asset patterns that may have a connection with migration is the substantial increase in proportion of woman headed households. But a household may become reported as woman headed for a number of reasons. Men's migration may produce an apparent paradox of a man being the husband of the woman head, but also not being reported as a head as he is a migrant. The woman head of household may have been deserted by her husband or widowed and decided to live alone or with her children (culturally challenging in Nepal). It may be that migration experiences have increased the probabilities of widowhood or desertion, but the possibility

of umbilical migration as a significant factor is a real possibility in Nepal.

The APP had little to say about migration, gender and education and their interactions, yet all three factors have been significant in changes in the twenty years from 1996 to 2015. The pattern of human assets' use in Nepal appears to have altered greatly in the last twenty years in ways not anticipated in the APP. These changes need to be recognised in thinking about the future of agriculture in Nepal.

## **Natural assets**

The APP was non-committal on the expected household distribution of land as a result of its implementation but rooted its achievement on agriculture production. Land distribution in Nepal is a much disputed and politically controversial issue. Partially this is because land ownership and control have been patterned by different local historical processes. But looking at John Mellor's seminal publication there is an expectation that 'middle' farmers are the driving force for progressive change.

The surveys suggest that land owned and cultivated per household as the most important natural asset remained constant at about one hectare between the surveys. But the distribution of land holding suggested that this constant average concealed a shift in distribution towards smaller farms with limited arable area of 0.082 (ha/capita). This change was probably not conducive to achieving the increased land productivity envisaged in the APP. The change in distribution was probably driven by sub-division

through inheritance. Smaller farms can produce higher yields, but there were no visible signs of greater intensification of cultivation, either movement into higher value added or winter crops in 2012. The landscape was still open fields where cattle and goats freely grazed outside the monsoon season.

Almost all households own and cultivate some land, but a significant minority of households 'rent in' some land from a very small minority of households in both surveys. This suggests sharecropping and 'semi-feudal' relationships may have persisted, though only a very small minority of households are totally dependent on 'renting in' for land to cultivate. Both the surveys and qualitative interviews suggest that there was no development of active market in land in the first fifteen years of the APP implementation.

There is very little surface water irrigation in the western tarai region, though the region is inundated in the monsoon season. Outside the monsoon season, both river and canal water have been captured by India for use across the border. But there is groundwater within reach of Shallow Tube Wells (STWS) across much of the region and there has been an increase in the proportion of land that households claim to irrigate which is consistent with the APP, though arguably it should be closer to one hundred percent. But there is a large scale public sector deep tube well installation potentially covering a substantial command area which is underutilised.

There are still considerable areas of sal forest in the north of the region, but the Nepalese state tends to treat this forest

as a extractivist asset and there is very little forest related livelihood benefit for the people living in or close to the forest, even when there are nominal Community Forestry Groups (see Ohja et al, 2005).

## **Produced assets**

The APP envisaged the liberalisation of the market for purchased inputs, notably chemical fertiliser.

'although the growth in fertilizer use envisaged under the APP is rapid, the final levels that will be achieved at the end of the plan are still modest-152 kilogram per hectare in tarai' National Planning Commission, 1997: 95).

But semi-structured interviews with farmers in the western region of the tarai in 2012 suggested fertiliser use was closer to 50 kg per hectare than the planned 150 kg. More generally, fertiliser use in Nepal is a subject of technical debate in which there are arguments that low fertiliser use is a cause of low crop yields countered by the claim that even these low levels of use are causing soil degradation through acidification.

Looking beyond fertiliser use and wider technological change, the NLSS results for rural western tarai do suggest significant increase in proportion of famers utilising pump sets which is consistent with the reported increase in irrigated land. But use of tractors and threshing equipment shows little change which is consistent with little 'technology driven' increase in yields.

Therefore NLSS results for produced assets in the western tarai show some evidence of the technology and market

driven 'green revolution' advocated in the APP, but the impact on growth in agricultural production was close to that of local human population growth.

## **Social assets**

The APP was optimistic about the potentially positive role of social relationships in facilitating increased production:

'cooperatives and other format of informal groups arrangements reduce the disadvantages of small farm size' (HMG National Planning Commission, 1997: 193).

But the NLSS basic indicators for social relationships are weak as might be expected with a highly quantitative methodology based on a positivist, economic epistemology with a focus on market forces. There are significant increases in the indicators of 'access to facilities', which indicate increased access to, and possible use of, local periodic ('haat') and permanent urban markets. But the increase in access to 'haat' bazaars may involve face to face interactions in which open market forces are diluted by social institutions and greater access to urban markets may be used to purchase more consumer goods rather than selling more agricultural outputs or purchasing more agricultural inputs.

There are similar increases reported in use of 'agriculture centres' and cooperatives, which could imply greater confidence in both the Nepal's public sector and strengthening of local solidarity. But the impact on agricultural production is unclear and there is little qualitative evidence of

increases in political participation and social solidarity in rural Nepal (Ojha et al, 2005), though there is some evidence of political change in a village controlled by the Maoists (Manandhar, 2008). Social relationships will be further explored in the second half of this paper, drawing on NLSS data on ethnicity and caste.

## **Financial assets**

The NLSS surveys suggest a major shift from money lenders to other sources of loans, though the proportion of households with loans and number of loans per household appear unchanged. But the uses of credit appear to have moved both against investment in agriculture and business and day to day household consumption and into the 'other' category. Direct field observation in western tarai suggests that housing construction and purchase of consumer durables may explain this changed use of loans, possibly emulating neighbours in receipt of remittances.

## **SECTORAL AND INCOME DISTRIBUTIONAL CHANGES**

The two surveys reflect the shift from farm income and self-employment income as major sources of household income. The movement away from farm income (and agriculture wage income in rural west tarai in Table 1) is arguably more than substantial envisaged in the APP. Although APP incorporates some sectoral exit from agricultural activities, it is possibly less dramatic in income terms than the surveys suggest. As the findings for west rural tarai indicated, the statistics on a national scale show a substantial shift



towards remittances. Even if the 'other' category in 1995/96 consisted totally of remittances, the share of income had still doubled by 2010/11.

Table 2 shows nominal household and per capita income measured in monetary equivalent terms have increased substantially between the two surveys. The introduction of 'own housing services' as a category in the 2010/11 survey is a distorting factor in terms of making comparisons, but this factor is heavily influenced by the urban sample - notably the Kathmandu valley where property prices are relatively very high.

To move from nominal to real changes in income (as an indicator of well-being) requires correction for price inflation. World Bank statistics show that the consumer price index has risen about two and a half times between 1996 and 2010. Making that correction would still mean that household and per capita real incomes more than doubled between the surveys a compound average rate of around three percent per annum (though from a very low base by global standards). But assessing change in real purchasing power in the global context also needs to take into account the decline of value of the Nepalese Rupee from NRs 57 to NRs 74 per US dollar in the period between the two surveys.

Figure 1 compares estimates of real income growth rates in Nepal with world figures. These estimates depict an average figure of about four percent above the three percent indicated for the period between the NLSS surveys..

Statistically attributing a national impact for the APP is challenging as there are only twenty annual figures in the APP period and great volatility in the whole time series. But the performance of the rural west Nepal tarai as an area with significant APP potential (seen in the NLSS surveys and direct field observations in 2012) does not give reasons for optimism that the APP has produced a clean break with past agricultural performance. The final conclusion to this paper will attempt to explain why such a clean break was not achieved in terms of the assumptions about the political economy processes implicit in the design of the APP.

In terms of distributional effects of the APP, the Agricultural Development Strategy by implication suggests that the APP offered little to 'subsistence' farmers as it introduces this as a category between commercial farms and landless people, though in a rather pessimistic tone in terms of increasing agricultural output. In practice, the emphasis is on commercialisation as it was in the APP.

..... the commercialization of the agricultural sector in Nepal will increase but commercial agricultural in Nepal will remain primarily a smallholder activity (namely farmers with less than 2 ha of land). Subsistence farming will continue to coexist with commercial farming for a long time, but its share of the total farming population will decline. The ADS will accelerate the process of commercialization, while improving both the income of the small commercial farmers and the livelihoods of the subsistence farmers, and generating growth and

employment in the non-farm sector to absorb the increasing number of landless/marginally landless ‘ (Agricultural Development Strategy, 2015, 24).

‘Those farmers with half to one hectare of land could achieve a substantial increase in family income from improved farming practices. However this group, compared to the small commercial farmer (those with more than one hectare) is more risk averse, focused less on farming relative to search for and performing off farm work and more deficit in capital and ability to obtain loans. A specialized approach is needed for these families calling for a new institutional structure, emphasizing intensive extension services specific to their needs, access to credit and other approaches.’ (Agricultural Development Strategy 2015, 251).

Unlike the APP, the Agricultural Development Strategy acknowledges the role of international migration, albeit passively and pessimistically in terms of proposed policies:

‘.... a considerable number of rural household will also continue to migrate outside the country pulled either by higher income opportunity or pushed by the lack of profitable employment and attractive livelihood in the rural areas’ (Agricultural Development Strategy 2015, 24).

The recognitions of ‘subsistence farms’ and ‘international migration’ in the ADS do not fundamentally break with the APP when it is shy to engage with

distribution of land. A de facto focus on commercialisation of agriculture farms capable of producing above subsistence in ADS, without directly engaging in accessing productive assets, may challenge meaningful economic engagement in rural lives.

## **NLSS DISTRIBUTIONAL RESULTS RELATING TO THE MAOIST INSURGENCY/NEPAL STATE CONFLICT**

The two Nepal Living Standard Surveys have an economistic foundation and this can be used to calculate some indicators of inequality. Table 3 shows Gini coefficient values from three NLSS studies between 1995/96 and 2010/11. The values suggest that inequality rose during the conflict, notably in rural areas and then fell back to pre-conflict levels in the post-conflict scenario with little impact of the Maoist insurgency on overall inequality. However, there must be doubts about the values of the Gini coefficient as access to Maoist controlled rural areas, where inequalities could have been lower, would have been difficult during the conflict. Also the inclusion of housing ‘services’ in the 2010/11 survey as a component of income could have reduced the urban inequality statistic as poorer urban households may have ‘benefitted’ disproportionately.

Deeper insights into social change can be gained by inspecting the data on ethnicity/caste categories. Discussions on the essential nature of inequality in Nepal tend to focus on social status differentiation, notably the caste system.

Nepalese writers tend to emphasise a historical dichotomy between Brahmin/Chhetri (NLSS spelling, but spellings do vary) and dalit (an ambiguous 'bottom-up' label which has controversies over who it includes, but has largely displaced the 'top-down' caste label of 'untouchable') groupings. This simple status dichotomy is useful in bringing out the extremes of social discrimination and social immobility in Nepalese society, but has limited use in understanding substantial groups of people between these extremes.

The Maoist movement's ideology was based on a class dichotomy between exploiters and exploited in which landlessness (in terms of ownership) and indebtedness were key characteristics of the most exploited. The state was seen as reinforcing such exploitation by failing to undertake redistributionist land reform with secure land titles and creating debts to itself in non-productive public sector lending schemes. Similar to the Maoist movement in China, a large 'middle peasantry' raised questions for the ideology in practice. For this group, self-identification with either side of the dichotomy was a key element in class location. In such self-identification, experiential senses of caste/ethnic and gender discrimination come into play.

Nepal has a complex social status structure which is acknowledged in the NLSS categorisation indicated in Table 4 (though the precise categorisation varies between surveys). A distinction between caste (c) and ethnicity (e) has been included in the first column of the Table, but this is only indicative. There is a strong element of language identification in this distinction,

mother tongue being either from Indo-Aryan or Tibeto-Burman foundations. But there are circumstances where 'ethnic' children grow up with Nepali as actual or virtual mother tongue, or in the case of Yadav's with Hindi as mother tongue. Also quasi-caste structures can be found within ethnic groups, which can be associated with a process labelled as 'Sanskritisation'. However, the NLSS in 1995/96 does allow comparisons between groups along some important socio-economic dimensions. The 2010/11 NLSS then can give comparative insights into how social inequality changed in the armed conflict period and, by implication, an indication of the social impact of the Maoist insurgency and the Nepalese State's violent reaction to that insurgency.

The statistics for the national Population Census in 2011 are also included in Table 4 as an indicator of the sampling error element in the NLSS statistics.

## **Changes in human assets**

Table 5 shows three human asset characteristics – self-defined literacy, suffering from chronic illness and receipts of remittances. The columns in the Table for each characteristic indicate the rounded proportions of households for the 1995/96 NLSS, the 2010 NLSS, and the change in proportions between the two households. Table 6 uses the same data but puts the groups in ranking order from 1 to 14 with 1 being the highest percentage of households.

Insofar as literacy in Nepali is an indicator of ability to absorb information and hence increase productivity in any

occupation within Nepal, this statistic shows substantial positive effects for all ethnic/caste groups. As many schools also teach English as a subject or even as the language of instruction in some subjects, increased literacy may also be an indicator of increased capacity to undertake international migration.

The change column suggests literacy gaps between groups to be decreasing, though literacy rates say little about the quality of education. But Table 6 suggests the rankings of the groups has not changed significantly with only Yadavs and Sarkis changing their rankings by more than two positions.

While any deficit in literacy rates below the best performing groups is a concern in terms of social mobility and capability development, there are two groups that still had literacy rates below fifty percent, Yadavs and Muslims. Both groups predominantly reside in the tarai and thus have close relationships (roti beti relationship) with co-caste and co-religionist groups in India. They are, therefore, likely to be less concerned with use of the Nepali language and related access to 'mainstream' Nepalese society and economy, though having Nepalese citizenship status to gain land titles is an important issue in the border areas and is a continuing political issue.

In terms of chronic illness incidence findings show similar percentage increases for all groups, though the statistics are not corrected for any changes in age profiles and changing health awareness and diagnosis. But taking these results at

face value suggests that Nepal may have a morbidity profile in which the chronic illnesses of poverty and affluence are both present and the diseases of affluence may be increasing.

Percentages of households receiving remittances increased in thirteen out of fourteen groups. Only the historically highly urbanised Newar group show a small reduction in percentage of households receiving remittances. Overall, there has been a convergence in the percentages of households receiving remittances across the groups implying that migration has become a socially pervasive phenomenon.

Exceptionally high rates of increase were demonstrated in the Tharu, Yadav, and Limbu groups. Tharu and Yadav households are predominantly residents of the tarai and remittances are most likely to be from employment in tarai urban centres or India. However, traditionally Tharu's livelihood are shaped by intensity of natural capital usage (McLean and Straede 2003: 511) and Yadav's believe them as indigenous politicians (Micheluttis, 2004: 47).

The overall surge in households receiving remittances in the period 1995/96 to 2010/11 hints at an increasing potential for spatial and possibly occupational diversification as more households have access to migration chains. But more households have money available to increase agricultural production, given the continuing high percentages (more than seventy percent) of land ownership in ten out of the fourteen groups.

## **Changes in natural assets**

Table 5 shows reductions in percentages of households claiming to own land in most groups. Only the Sarki group of households, conventionally the lowest status group as a caste, shows a substantial increase in the proportion of households owning land. This increase moves the group from twelfth to first in terms of proportions of land owning households and suggests some Maoist influence.

Maoist influence may also account for reductions in percentages in Brahmin, Chhetri, and Newar households owning land as households in these groups were more likely to be in the rural elite. But this cannot account for the reduction in land ownership in Damai and Tamang groups who are conventionally seen as relatively lower status in caste and ethnic terms respectively.

Reductions in percentages of Gurung, Limbu, Magar, and Rai households owning land may be explained by higher urbanisation among groups with privileged access to remittances from military service in foreign armies.

The findings in Table 5 are consistent with the earlier claim in this paper that real incomes have increased significantly between the two NLSS. All fourteen groups show a substantially higher percentage of households claiming their incomes were 'adequate' or better than 'adequate'.

It is a matter of grave concern that the three groups- Damai, Kami, and Sarki, identified with the most suffering from negative discrimination in Nepal are the three lowest ranked groups in Table 6 in 2010/11, despite making gains. The

changed rankings of other groups in the middle of distribution indicate some mobility. However, the closeness of the absolute scores in the middle of the rankings, at around fifty percent, suggest a 'crowded' middle in which sampling error may be playing a role.

In terms of poverty assessment, the data on food consumption adequacy in Table 5 show striking improvements in all groups. In absolute terms, eleven out of the fourteen groups have eighty percent or more of households claiming to be adequately fed. Of course, this still leaves a significant number of households in these groups claiming to have insufficient food. Only the Damai, Kami, and Sarki groups claim to have more than thirty percent of households with inadequate access to food, despite making substantial percentage gains.

## **ANALYSIS AND INTERPRETATIONS OF THE IMPACT OF THE APP**

The Agricultural Perspective Plan (APP) and the Maoist insurrection both aimed to set the agenda for rural change in Nepal between 1995/96 and 2010/11. The state-supported APP had a vision of a pattern of rural livelihoods that accepted the social inequalities' status quo and picked up opportunities offered by market forces and infrastructure improvements to increase agricultural production. Moreover, the Maoist insurgency looked to reduce rural inequalities by removing the non-productive, exploitative elite from rural society.

The west rural tarai is a region with great APP potential in terms of increased agricultural yields because of proximity with big Indian markets and operational roads/highways and was little influenced by the Maoist insurgency. But the 2010/11 NLSS statistics for that region suggest little use of that potential. The key reasons for this unintended outcome are misunderstandings in the APP of the political economy of the relationships between Nepal and India and the wider global economy, and within Nepal itself.

The APP assumed that the relationship between the Nepal and Indian economies was one of mutual acceptance of the operation of open market forces in allocating resources following 'arms' length' patterns of comparative advantage. It did not recognise that the border was socially porous in terms of close relationships between people of similar cultural identities on both sides of the border. The border is also economically complex in that liberalisation on the Nepalese side has to engage with regulatory institutions on the Indian side lubricated by bureaucratic corruption on both sides of the border.

The APP assumed that people in the tarai had good reason to trust liberalised market forces on the Nepalese side of the international border. But the historical experience of the tarai people is of living on an institutionally complex international border with two uncoordinated interventionist regulatory systems interacting with all pervasive smuggling opportunities across an open land frontier. Access to chemical fertiliser, vital to the APP, is

heavily influenced by this institutional complexity as one aspect of suspicion of the operation of 'market' forces.

Similarly, the APP assumed a large increase in irrigated land in the tarai in the winter months. There was an increase in use of farmer owned pump sets in the west rural tarai, but reduced areas of owned land, conservative resistance to voluntary land reallocation, and fragmented land patterns tended to restrict the command areas of Shallow Tube Wells. On a larger scale, appropriation of surface water by India and aggressive groundwater mining of a shared aquifer straddling the international border both threaten irrigation potential in Nepal.

There is an extensive Deep Tube Well irrigation system running across part of the west rural tarai. The system is chronically underutilised, partly due to the reasons stated in the previous paragraph, but also influenced by local people's distrust of the Nepalese state in providing a reliable, affordable service. The 'indigenous' people of the tarai generally have historic reasons to feel marginal to political processes in Nepal, exemplified by state support of neo-feudal, 'zamindari' style relationships and restrictions on access to forest resources. This distrust of the state infects willingness to use irrigation services provided by the Nepal state.

The APP failed to take account of the paradox that the areas identified as having the greatest agronomic physical potential are also the ones populated by a significant group of people controlling a substantial land area with good reasons to be suspicious of both market forces and

public policy. The influx of people from the hills of Nepal and some associated resettlement schemes has slightly modified, but not fundamentally changed, agricultural production relationships in the rural west tarai.

The APP also misrecognised the political economy realities of India/Nepal relationships - more specifically, relationships on the Nepalese border with some of the poorest and caste/ethnic divided parts of northern India. In this context, any public policy shift towards economic and political 'liberalisation' has to be understood in an institutional context that has a history of channelling any change towards non-productive, economic 'rent-seeking' interests, which take advantage of shifting monopolising and gate-keeping opportunities.

Moving from the socio-economic context of the Nepalese tarai, and extending the argument to the wider context of Nepal in which substantially increasing agricultural production is physically more difficult, requires bringing the international and global dimension into view. Nepal has a long history of international migration – ethnic groups such as the Gurungs, Limbu, Magar, and Rai have been providing soldiers to foreign armies for over a century and more recently as security guards. India has been a frequent destination for Nepalese pilgrims, seasonal agricultural workers, brides, domestic workers, and sex workers.

But the shift towards a new phase in the global economy with rise in the oil price in 1970s opened up new opportunities for international migration to the Gulf

oil producers. The Gulf economies needed large amounts of unskilled, acquiescent labourers in the construction industry. This demand offered Nepalese young men, in the context of socio-economic and physical blocks to increased incomes from family farms, a potential channel for productive use of their labour. A channel which was largely 'blind' to caste/ethnicity status with a contractual institutional form that generally encouraged return after several years similar to long established foreign military service. A form of migration, this paper previously characterised as 'umbilical'. The APP failed to recognise the attractiveness of such migration in its 'umbilical' form as an alternative income source to increased agricultural production.

## **ANALYSIS AND INTERPRETATIONS OF THE IMPACT OF THE MAOIST INSURGENCY/NEPAL STATE CONFLICT**

The caste/ethnicity breakdown into groups can be analysed into a typology of six qualitative types of changing household behaviour drawing on the data in Table 5 and 6. The typology in Table 7 is inspired by the patterning of the quantitative data by reflecting on the changing percentages of households in the fourteen caste/ethnic groups in the NLSS data on land ownership and receiving remittances between 1995/96 and 2010/11. Table 7 summarises the outcomes of this reflection as qualitative categories.

This typology is indicative, not definitive. Within each caste/ethnic group, there are

many households who are not following the behaviour attributed by the typology for that group. The typology is offered as a dynamic description of directions of continuity and change. In context of little change in a percentage within a group, the typology assumes overall continuity in group behaviour. Where there is a change in a percentage of more than about five percent, then the households who make the change are assumed to be 'leading indicators' showing the tendency in direction of rational change for the whole group to the extent they share common challenges and opportunities. The reasons why some households are 'leaders' and others 'lag' are assumed to be due to variations in individual circumstances, not structural differences.

In the following five sections, the typology is used to understand the impact of the conflict between the Maoist insurgents and the Nepal state for five of the six types. The sixth type combining increased ownership of land with increased remittances has no associated group. The absence of this dynamic win-win combination in the NLSS data set as a group experience for any of the fourteen groups signifies the lack of a systematic complementary relationship between agricultural intensification and increasing migration.

### **Decreasing land ownership with constant remittances (disinvesting/immobile)**

A significant proportion of this type of households were little affected by the Maoist insurgency as they were residing in urban areas before the mid-1990s – areas which remained securely

under government political control. Where such households had retained an interest in agricultural activities, Maoist influence may have been a cause of some retrenchment and falling land ownership, especially if households were associated with state employment, especially military employment.

Gurung and Chhetri households have disproportionate access to military salaries and pensions from international and Nepalese army service. This has resulted in increased migration becoming less important to maintain incomes against the backdrop of falling land ownership.

Newar households engaged in large scale commerce in urban economies benefitted from the growing monetisation of Nepal's economy through spending of increased remittances. Thus, they had less economic reason to migrate.

A substantial, remittance uncompensated, that falls in Damai land ownership is more difficult to explain. But the caste label is associated with tailoring which is predominantly an urban activity. A general rise in real incomes may have a high income elasticity of demand for tailoring services yielding increased incomes for tailors compensating for falling incomes from agricultural land owning.

### **Decreasing land ownership with increased remittances (disinvesting/mobile)**

Rural households had been urbanising before the Maoist insurgency in order to educate children and take advantages of urban infrastructures. For any Brahmin households with significant land holdings



and that used share-cropping/debt as a means to control their rural workers, then the Maoist insurgency encouraged faster 'divestment' of land (see the next section). Households of this type from Magar and Rai groups may have a long history of umbilical migration in international military service, but such opportunities are decreasing. Thus all households of this type, divesting themselves of land with limited alternative sources of local income, would have to be increasingly active in seeking long distance migration opportunities.

Households of this type are drawn from socio-economically more disadvantaged groups. They seem to have land ownership, though very small holdings, but have not been able to access increased remittances from migration. Lack of formal schooling may be a key barrier to successful migration.

It is among households of this type that extreme poverty and vulnerability is concentrated despite increases in proportions of households declaring themselves as having 'adequate incomes'. Neither the APP nor the Maoist insurgency had substantial influence on households of this type, even though slight increase in local non-agricultural wage employment may have provided some benefits.

#### **Increasing land ownership with constant remittances (investing/immobile)**

As the rural land-owning elite came under real or perceived threat from the Maoist insurgency and moved away from rural areas, this created opportunities for landless households to appropriate land and if debts to moneylenders were

cancelled, possibly purchase land that they previously sharecropped. Such appropriation could improve household food adequacy/security for some of the most disadvantaged households in Nepal's rural areas – an improvement not envisaged in the APP. This can be seen as a positive effect of the Maoist insurgency in equity terms, but the effect appears to be rather restricted in terms of only appearing as a significant type of behaviour for one disadvantaged group.

#### **Constant land ownership with increased remittances (conservative/mobile)**

This type of household owns land that is probably an important element in its long duration identity in a context of a self-reproducing cultural, ecological, economic, and political system. This system may reproduce great local inequalities (gender, generational, socio/political status and economic) and the Maoist insurgency may have challenged social inequalities and increased access to schooling and income aspirations.

The overall sustainability of the village system may be showing signs of vulnerability, but increased umbilical migration have reduced this vulnerability by taking the pressure off deriving cash incomes from the local rural economy.

## **CONCLUSION**

This overview of change in Nepal in the period 1995/96 and 2011/12 has focused on the effects of two national phenomena – the Agriculture Perspective Plan and the Maoist insurgency and the Nepali state

response to it. The quantitative data is drawn from two Nepal Living Standard Surveys at the beginning and end of the period. The data has all the accuracy and representation limitations of large scale, questionnaire, sample surveys aimed at international use. Therefore the language of this paper is tentative and indicative in using the data and drawing qualitative interpretive conclusions.

There are statistical significance tests that could be made using the surveys' data. But such tests will run into issues of relatively small numbers of cases and low degrees of freedom leading to associated low likelihoods of statistical significance. Thus qualitative reflections can be justified as cost-effective if they stimulate further debate and lead to more focused quantitative statistical testing.

The key finding is the large and growing role of migration by individuals and the associated remittances to the remainder of the household still resident in Nepal which this paper characterise as 'umbilical' migration. This process was in train before the mid-1990s and may have accelerated as a result of the conflict, as young adults evaded recruitment or punishment.

The shift in livelihoods' focus away from agriculture may also have implications for the impact of the Agriculture Perspective Plan. The emphasis of the Plan on increased yields in the tarai areas adjoining India misrecognised the complexity of relationships between the regulatory regimes of the two states and the long duration history of multi-dimensional lack of trust among people of the region. This lack of solidarity and collective politics

also limited the impact of the Maoist insurgency in much of the tarai.

The lessons learned from the APP experience have been incorporated in the formulation of the ADS. Among these lessons are the need of ensuring governance, promoting effective participation of stakeholders, addressing land issues, effective support to decentralized research and extension, and promoting commercialization and competitiveness

Substantial increases in households receiving remittances in caste/ethnic groups primarily resident in the tarai may have contributed to the weak APP performance in these key areas. Therefore the limited impact of the Agriculture Perspective Plan and a failure to contribute to raising the overall economic growth rate above long term trend cannot be attributed to the Maoist/Nepal State conflict, but reflects a failure in conceptualisation at micro-, meso-, and macro-levels. At best, the plan may have helped reduce the volatility of economic growth and dampened the effects of variations in monsoon rains. This effect may owe more to the decreasing importance of agriculture in Nepal's economy, rather than positive linkages from agricultural production to the wider economy.

But the key question remains whether the ADS addresses the above concerns in practice. A critical, deconstructive reading of the whole ADS report does not denote the conceptual engagement with causative processes that frustrated the APP 'good intentions'. We offer this

paper as a contribution to the necessary debates on why agricultural production performance and changes in socio-economic distributional patterns in rural Nepal have not been more dynamic in the last twenty years. The experience of post-earthquake reconstruction suggests

that the ADS may be over-optimistic about the capacity of the Nepalese state to deliver what is still essentially a top-down approach operating in an environment of developmentally benign market forces and an acquiescent, compliant civil society.

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## LIST OF ANNEXES

Table 1: Summary of key findings from the two Nepal Living Standard Surveys for the western rural Tarai)\*

	1995/96	2010/11
Wage in agriculture (%)	12	3 – APP WOULD HAVE EXPECTED A RISE
Wage in non agriculture (%)	6	11 – CONSISTENT WITH APP
Self employed in Agriculture (%)	77	61 – CONSISTENT WITH APP
Self employed outside agriculture(%)	4	13 – CONSISTENT WITH APP
Women Headed HH (%)	8	24 – MALE MIGRATION?
Literacy of Agri HH (%)	33	50 – MORE RELEVANT FOR MIGRATION THAN APP?
Area of irrigated land (%)	51	67 – CONSISTENT WITH APP, BUT PERHAPS NOT LARGE ENOUGH INCREASE
Average size of agriculture land ha.	1	1 – SOME CONCERN FOR APP
Distribution of percentages of HHs by land area (ha)		PROBLEM FOR APP IN TERMS OF FARMS BECOMING SMALLER
0-0.5	28	45
0.5-2.0	50	28
1-2		20
Above 2	23	7
Distribution of farm sizes in percentages by agricultural land area (ha)		SEE ABOVE
0-0.5	4	14
0.5-2.0	37	62
Above 2	59	24
HH with owned agricultural land (%)	96	97 – APP WOULD EXPECT SOME REDUCTION
HH renting out land (%)	7	8 – SUGGESTS CONTINUING NEO-FEUDAL RELECTIONSHIPS
HH renting in land (%)	34	32 – SEE ABOVE – RENTING AS SHARE-CROPPING?
HH renting in land only (%)	4	3
Agriculture HH using agricultural equipment (%)		
Tractor	1	3
Thresher	3	7
Pumpset	9	17 – CONSISTENT WITH APP BUT PERHAPS SMALLER INCREASE THAN HOPED FOR
Non farm economic activity		
Percentage of sample HH with enterprises (%)	16	31 – CONSISTENT WITH APP

Credit		
Having outstanding loans		
% HH involved	58	60 – APP NEUTRAL
Average number of loans	1.4	1.4
Sources of loan(%)		
		INTERESTING SHIFT FROM MONEYLENDERS TO BANKS, MORE RELATED TO MIGRATION REMITTANCES THAN APP
Bank	21	33
Relative	40	46
Money lender	32	5
Other	4	17
Purpose of loans (%)		
Business or farms	38	33 – DISAPPOINTING FOR APP
HH Consumption	39	21
Other personal use	22	47 - HOUSING/CONSUMER DURABLES?
Remittances		
% of hh receiving remittances	23	72 – MIGRATION EFFECT MISSED
Average no of remittances	1.3	1.9
Distribution by source (%)		
Urban	9	11
Rural	51	39
India	41	28
Other		22
% of share of remittances in Income	19	30 – MIGRATION AS FACTOR MISSED BY APP
Access to facilities (%)		
Haat Bazar	41	64 - SUGGESTS GREATER USE OF MARKETS
Market Center	25	43 – DITTO
Agriculture Center	25	43 – INCREASED USE OF STATE RESOURCES
Sajha/Cooperatives	21	40 – INCREASE IN SOCIAL CAPITAL

NOTE: all figures are rounded to integers following the usual rules, and so percentages will not always sum to 100.

\*: Definitions of regions in Nepal changed between the two surveys and the statistics were chosen to maximise comparability.

SOURCES: NLSS 1995/96 AND 2010/11

Table 2: Summary of key sectoral and distributional findings from the two National Living Standard Surveys (all Nepal)

Description	1995/96	2010/11
Share of farm income (%)	73	26
Share of non farm income (%)	15	38
Share of remittance income (%)	?	22
Share of other (%)	11	3
Own housing consumption (%)		11
Share of wage income (%)	29	27
Share of self-employment income (%)	57	38
Other (%)	14	36

NOTE: all figures are rounded to integers following the usual rules, and so percentages will not always sum to 100.

SOURCES: NLSS 1995/96 AND 2010/11

Table 3: Gini coefficient values derived from household income estimates from three NLSS, 1995/96 to 2010/11

	NLSS 1995/96	NLSS 2003/04	NLSS 2010/11
Nepal	0.32	0.41	0.33
Rural	0.31	0.35	0.31
Urban	0.43	0.44	0.35

Source: NLSS 1995/96 and NLSS 2010/11

Table 4: Common caste/ethnic groups reported in both the surveys and their population distribution

Caste = c Ethnicity = e Religion = r (in alphabetical order)	% of sample households in		Population census 2011 (% of total population)
	NLSS 1995/96	NLSS 2010/11	
Brahmin (c)	16	16	13
Chhetri (c)	20	17	17
Damai (c)	2	2	2
Gurung (e)	4	2	2
Kami (c)	5	4	5
Limbu (e)	2	1	1
Magar (e)	5	7	7
Muslim (r)	4	3	4
Newar (e)	9	10	6
Rai (e)	2	4	2
Sarki (c)	2	2	1
Tamang (e)	4	6	5
Tharu (e)	6	4	7
Yadav (c)	3	3	4
Total	83	80	76

Source: Author's computation based on NLSS 1995/96 and NLSS 2010/11, Nepal Population Report 2011.

Table 5: Socio-economic characteristics by caste/ethnicity as recorded in the 1995/96 and 2010/11 NLSS (percentages of households)

Caste/ Ethnicity*	At least adequacy of total income (%)			At least adequacy of food consumption (%)			Literacy (%)			Land ownership (%)					Suffer chronic illness (%)			HHI receiving remittances (%)		
	NLSS 1995/96	NLSS 2010/11	Change	NLSS 1995/96	NLSS 201011/11	Change	NLSS 1995/96	NLSS 2010/11	Change	NLSS 1995/96	NLSS 2010/11	Change	NLSS 1995/96	NLSS 2010/11	Change	NLSS 1995/96	NLSS 2010/11	Change		
Newar	47	70	22	73	93	20	67	79	12	53	46	-7	6	14	8	17	16	-2		
Brahmin	35	58	24	59	93	34	66	79	13	84	71	-13	8	14	6	24	36	12		
Tharu	32	49	17	66	89	23	33	61	28	81	81	0	3	8	4	12	35	23		
Chhetri	30	50	20	50	84	34	46	69	22	88	80	-8	8	12	4	25	29	4		
Yadav	30	65	34	58	89	31	31	45	13	86	91	4	4	9	5	24	45	21		
Tamang	26	49	23	46	86	39	29	59	30	88	74	-14	6	10	3	14	19	5		
Gurung	23	65	42	61	90	29	48	72	24	77	56	-21	7	13	7	33	34	1		
Rai	22	53	31	29	88	59	39	65	26	80	79	-1	7	10	3	26	31	5		
Magar	19	47	29	37	84	48	48	67	19	91	83	-8	5	11	7	25	35	11		
Muslim	19	51	33	45	80	35	28	46	18	61	57	-3	5	9	4	25	31	6		
Sarki	16	35	19	28	65	37	16	58	42	76	91	15	7	12	5	22	25	3		
Limbú	15	52	37	31	85	54	45	66	20	90	82	-8	7	8	1	8	29	21		
Damai	14	39	25	27	66	40	33	58	25	80	66	-14	6	12	6	18	23	5		
Kami	12	32	20	21	67	45	26	57	31	81	84	3	8	12	4	29	30	1		

\*: ordered by Adequacy of total income

All figures are rounded to integer values

Source: Authors' computation based on NLSS 1995/96 and NLSS 2010/11



Table 6: Socio-economic characteristics ranked by different caste/ethnic groups in NLSS 1995/96 and NLSS 2010/11

Caste/ethnicity	At least adequacy of total income		At least adequacy of food consumption		Literacy (those who can read)		Households owning land		Households suffering chronic illness		Households receiving remittances	
	NLSS 1995/96	NLSS 2010/11	NLSS 1995/96	NLSS 2010/11	NLSS 1995/96	NLSS 2010/11	NLSS 1995/96	NLSS 2010/11	NLSS 1995/96	NLSS 2010/11	NLSS 1995/96	NLSS 2010/11
Newar	1	1	1	1	2	2	14	14	9	2	11	14
Brahmin	2	4	4	2	2	1	6	10	3	1	7	2
Tharu	3	9	2	5	8	8	8	6	14	14	13	4
Chhetri	4	8	6	10	5	4	3	7	1	4	6	10
Yadav	5	2	5	4	10	14	5	2	13	12	8	1
Tamang	6	10	7	7	11	9	4	9	8	10	12	13
Gurung	7	3	3	3	4	3	11	13	7	3	1	5
Rai	8	5	11	6	7	7	10	8	5	9	3	7
Magar	9	11	9	9	3	5	1	4	12	8	5	3
Muslim	10	7	8	11	12	13	13	12	11	11	4	6
Sarki	11	13	12	14	14	10	12	1	6	6	9	11
Limbú	12	6	10	8	6	6	2	5	4	13	14	9
Damai	13	12	13	13	9	11	9	11	10	7	10	12
Kami	14	14	14	12	13	12	7	3	2	5	2	8

\*: ordered by ranking of Adequacy of total income

All figures are rounded to integer values

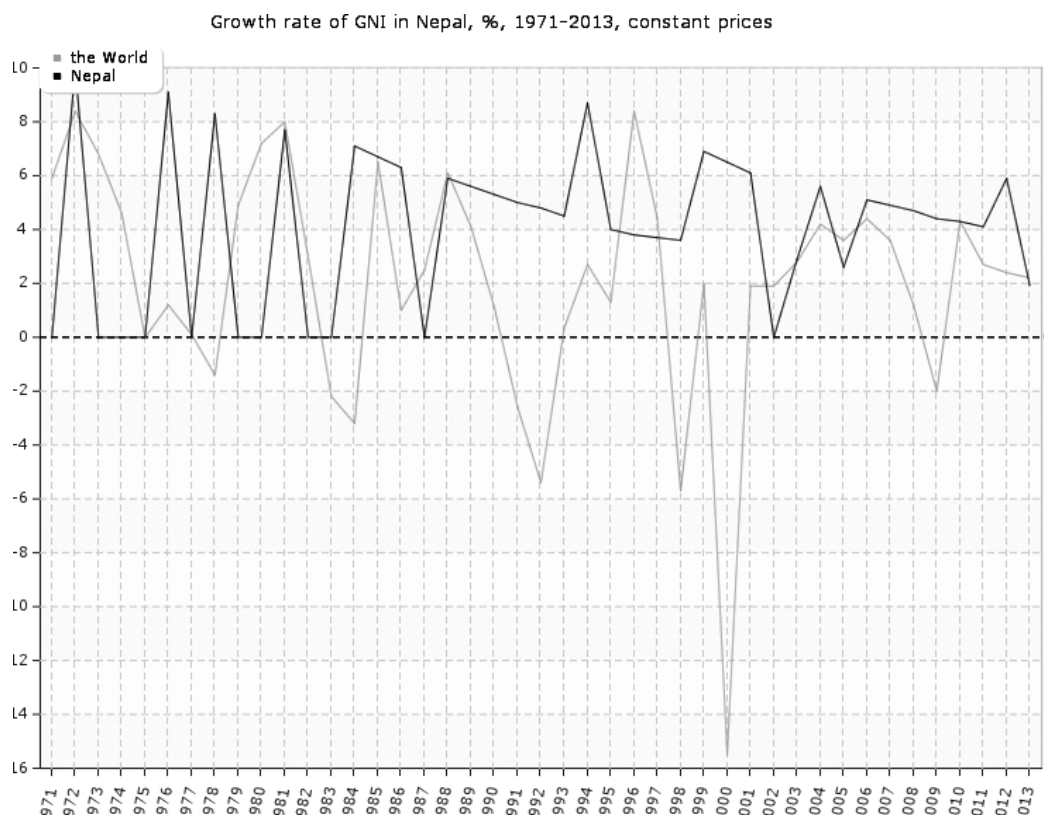
Source: Authors' computation based on NLSS 1995/96 and NLSS 2010/11

Table 7: A qualitative typology of household behaviour, 1995/96 to 2010/11

PROPORTION OF HOUSEHOLDS OWNING LAND	PROPORTION OF HOUSEHOLDS RECEIVING REMITTANCES	TYPE LABEL	CASTE/ETHNIC GROUPS SHOWING CHARACTERISTICS IN TERMS OF CHANGING PROPORTIONS OF HOUSEHOLDS
DECREASING	CONSTANT	DISINVESTING/IMMOBILE	CHHETRI, DAMAI, GURUNG, NEWAR
DECREASING	INCREASING	DISINVESTING/MOBILE	BRAHMIN, LIMBU, MAGAR
CONSTANT	CONSTANT	DOUBLY CONSERVATIVE	KAMI, MUSLIM, RAI, TAMANG
CONSTANT	INCREASING	CONSERVATIVE/ MOBILE	THARU, YADAV
INCREASING	CONSTANT	INVESTING/IMMOBILE	SARKI
INCREASING	INCREASING	DOUBLY DYNAMIC	?

Source: authors' classification based on NLSS 1995/96 and 2010/11

Figure 1: Growth rate of GNI in Nepal compared with world GNI growth rate, 1971-2013



SOURCE: [http://kushnirs.org/macroeconomics/image/nepal\\_gni\\_growth.png](http://kushnirs.org/macroeconomics/image/nepal_gni_growth.png)