State, Society, and Development: PMPD Perspectives
Vol. 3, 2025, 15–28
Kathmandu, Nepal
https://doi.org/10.3126/ssd.v3i01.81290

Transforming Modes of Production and Class Dynamics in Nepal: An Anthropological Perspective

Binod Pokharel
Central Department of Anthropology, Tribhuvan University
Orcid 0009-0003-0232-6944
Corresponding Email: *bpokharel1962@gmail.com*

ARTICLE INFO

Article history
Received: 05 Jan 2025
Accepted: 14 May 2025

Keywords
Social transformation
Marxist perspective
Socialism
People's multiparty democracy

ABSTRACT

This paper briefly highlights the nature and causes of social and economic changes in Nepal. It aims to explain and analyze Nepali society from a political-economic perspective, drawing on the concept of People's Multiparty Democracy (PMPD) as propounded by Madan Bhandari. The analysis is based on a review of existing literature. Although Nepal's economic and political system is theoretically socialist-oriented and practically market-based, it is marked by crony capitalism and comprador practices rooted in specific social relations. The paper argues that Nepal's current politico-economic structure broadly resembles financial capitalism, where money begets more money. From a Marxist perspective—which views all activities, including habits, behaviors, and even addictions, as shaped by the economic system—it is evident that customs and cultures are deeply influenced by financial capitalism. The internal and external conditions in Nepal do not align with socialist ideals. Hence, socialism must be redefined in line with Nepal's specific context, as envisioned by Bhandari in his theory of people's multiparty democracy. The development of a self-reliant agricultural system, food sovereignty, increased production, equitable distribution, and universal access to health and education has laid the groundwork for socialism. This paper concludes that both Eurocentric Marxist and non-Marxist frameworks fall short in explaining Nepal's transformation. In light of global historical and political shifts, traditional Marxist theory alone is inadequate for understanding Nepal's situation. Bhandari's vision of people's multiparty democracy provides a valuable lens for analyzing Nepali society on its own terms.

Introduction

Although Nepal has a long history spanning thousands of years, its written history dates back only 300 to 400 years, due to limited archaeological discoveries and research. The study of physical and biological anthropology is also underdeveloped, making it extremely difficult to understand the evolution of Nepali society. Moreover, with few exceptions, the available historical records focus primarily on kings, palaces, courts, and political events, offering minimal information about the general population, caste and ethnic groups, and systems of production across different regions of the country.

Nepal is a multiethnic, multicultural, and multi-religious nation. Madan Bhandari acknowledged this socio-cultural diversity through his concept of people's multiparty democracy. Most communities in Nepal appear to have migrated from various regions in ancient times. It is believed that the two major demographic groups—the Kirat and the Khas Aryan—entered Nepal from the northeast and northwest, respectively (Pokharel, 2055 B.S.). The objective of this paper is to analyze and explain the processes and factors driving social transformation in Nepali society from a longitudinal political-economic perspective.

Bhandari (2049 B.S.) emphasized the need to redefine and adapt Marxism in light of Nepal's political history and the experiences of other socialist countries. He introduced the ideology of PMPD in 2049 B.S., which presents a practical and evolving interpretation of Marxism suited to Nepal's context. PMPD promotes democracy through multiparty competition and cooperation, identifies feudalism and comprador capitalism as key forces in class formation, and acknowledges the country's socio-cultural diversity. While PMPD engages with labor and the lower and poor classes, it lacks a nuanced analysis of these social groups—particularly in terms of how the middle, lower, and impoverished segments of the population interact with both domestic and global modes of production.

This paper explores how neoliberal economics and globalization have reshaped class structures and contributed to the emergence of a new class in Nepal. It examines how the class is formed under market capitalism, arguing that classical class theory is insufficient in today's society, where market forces largely define social relations. Neoliberalism challenges the traditional understanding of class. In particular, how the class is constituted at the local level through labor migration within Nepal remains underexplored in the political economy literature.

This study investigates key concepts such as social transformation, class and caste, and the mode of production within the context of Nepal. It aims to understand how the mode of production, class, and class structures have been transformed over time through historical processes and the influence of the market economy.

Methodology

Social transformation refers to structural changes in norms, values, institutions, and relationships within Nepali society. Historical materialism fundamentally shapes the nature of social institutions by examining a society's economic organization, particularly its modes of production. It is, as Mao (1975) stated, an "extension of the principles of dialectical materialism to the study of social life" (p. 3). Marxism explores not only "economic relations" but also "the evolution of human labor… [and] productivity…from slave society through feudalism to capitalism" (Mandel, 1990, p. 12).

This transformation may be driven by factors such as technology, education, cultural shifts, political movements, and changes in family structures. It also includes structural changes within the economy over time (Marx, 1976). These changes can lead to economic growth, development, or the reorganization of economic systems (Mishra, 2067 B.S.; Sharma, 2008; Uprety, 2021). Nepali social structure is shaped by gender, caste, class, and regional factors. Consequently, all elements of society—individuals, families, communities, ethnicities, norms, values, cultures, lifestyles, prestige, power, customs, consumption patterns, rules, regulations, and laws—collectively form the broader social structure.

Each society is based on a specific mode of production, which defines the social relations of production and the nature of the interrelationships between different classes within that society. Thus, the production system represents a set of social and economic structural behaviors. It encompasses all activities related to social production, the fulfillment of material needs, and the production and reproduction of social structure (Sharma, 2008).

The mode of production refers to how a society organizes the production of goods and services. It includes the means and methods used for production, the social relations involved in the process (i.e., how people relate to one another during production), and the organization of labor. In Marxist theory, the mode of production is a key concept for understanding the economic structure of society. It typically consists of two components: the forces of production and the relations of production (Marx & Engels, 1978).

Class and caste are two important variables that determine the social structure of Nepali society. The caste system has traditionally been viewed as an ancient structure designed for the division of labor. It is a hierarchical system in which a person's position is fixed at birth. Social standing is determined by birth, creating distinctions such as high caste, low caste, and so-called untouchable castes. A person born into a high caste traditionally enjoyed privileges granted by the state, such as land ownership. Conversely, many state obligations and burdens historically fell upon members of lower castes.

Despite state efforts to eradicate the caste system, caste ideology continues to persist in Nepal. PMPD is committed to eliminating all forms of discrimination, including those rooted in caste ideology (PMPD, 2049 B.S.). There is also a discernible relationship between caste and class to some extent. For example, following land reform, some feudal families—particularly those from Brahmin, Kshetri, and Newar castes who were closely aligned with past regimes—transitioned into sectors such as trade, industry, hospitality, and other businesses (Blaikie et al., 1980). In Nepal, as Regmi (1976) observed, class is often linked to caste position; individuals from historically privileged castes often hold higher class positions due to the advantages they enjoyed under previous regimes.

Class refers to the socio-economic position of an individual within a broader society. It reflects the individual's relationship to the mode of production (Marx, 1848). Neo-liberalism does not view class as a stable social configuration (Comaroff & Comaroff, 2000, p. 31). However, class remains "intractable and more fundamental" in twenty-first-century capitalism (p. 31). Information technology has become a privileged tool for capitalists to expand markets, create new market opportunities, and diversify trade (p. 159). Consequently, new processes of class formation are emerging.

Class relations are also being reshaped by various government interventions that favor capital interests. These include the suppression of common rights, the commodification of labor, and the marginalization of alternative (including indigenous) forms of production and consumption. Colonial, neo-colonial, and imperial mechanisms of asset appropriation—such as the seizure of natural resources, the monetization of exchange, and land taxation—represent forms of accumulation by dispossession (p. 159). Furthermore, youth out-migration and the growing remittance economy in rural Nepal have challenged traditional, classical definitions of class (Uprety, 2021).

Adopting a longitudinal political-economic perspective, this paper analyzes the processes and factors that have driven social transformation in Nepali society. It is based on a review of the literature and secondary data. Both classical and contemporary sources are analyzed to examine the transformation of the mode of production and class structure in Nepal. The author's long-standing engagement with the study of social transformation in Nepal has also informed this analysis. Additionally, the author's direct observations of social and cultural events in Nepali society have contributed factual insights to this paper. The secondary data are reorganized and reinterpreted thematically.

Results and Discussion

The transformation of Nepali society

Since the 1990s, Nepal has undergone significant transformations in its mode of production, class structure, and caste system. Social structure refers

to the components of society and the mutual relationships, interdependence, and conflicts among them. The Nepali social structure is shaped by gender, caste, class, and regional factors. This means that all aspects of society—such as individuals, families, communities, ethnicities, norms and values, cultures, lifestyles, prestige, power, customs, consumption patterns, rules, regulations, and laws—are part of a dynamic social structure that has changed in various ways.

These structures vary from place to place—from the hills to the plains, from urban to rural areas, and from eastern to western Nepal. As a result, the pace of transformation has not been uniform across provinces, ecological regions, castes, and ethnic groups. Major changes have been observed in education, healthcare, and economic conditions.

The caste system and Nepali society

Across Nepal, from Mechi to Mahakali, diverse caste and ethnic groups are visible throughout the country. Broadly, they can be categorized into two groups: those who follow the caste system and those who do not. Adherents of the caste system include Brahmins, Kshetris, Dashanamis, Vaishyas, and Sudras. In contrast, ethnic groups such as the Gurung, Magar, Tamang, and Sherpa have traditionally not followed the caste system (Sharma, 2039 B.S.).

Since the Rana regime—or even earlier—the classification and governance of people based on caste have continued. As a result, indigenous and ethnic groups outside the Varna system have historically held a lower status than Brahmins and Kshatriyas. Additionally, the Newars, despite being an indigenous ethnic group, have also been reorganized into a caste-based hierarchy. The caste system remains especially rigid in the Terai-Madhesh region, where a hierarchy persists from so-called upper-caste Brahmins to marginalized Dalit communities. This region is home to a wide range of settlements, from large landowning groups to landless Dalit castes (Gaige, 1975).

Although the caste system in Nepal dates back to the Licchhavi period and was restructured during the Malla period, it was the *Muluki Ain* of 1854, promulgated by Prime Minister Jang Bahadur Rana, that formally codified caste hierarchies in law. This legal code incorporated Dalits, as well as many indigenous and ethnic groups—previously outside the Hindu varna system—into a Hindu caste framework. It classified these groups according to caste and also codified their traditional occupations and cultural practices.

Even among indigenous communities, differentiation was imposed: castes such as Rai, Limbu, Gurung, and Magar were categorized as *namasinya jāt* (non-enslavable castes), while groups such as the Tamang and Bhote were classified as *masinya jāt* (enslavable castes). Members of the latter category were barred from recruitment into certain government positions, including the army, police, and later, the Gurkha Regiment.

Dalits were placed at the very bottom of the social hierarchy. They were denied access to education and were prohibited from freely choosing professions, further entrenching systemic discrimination. Punishments and fines under this legal code were determined by caste, with different penalties for Brahmins and Dalits who committed the same crime (Hofer, 2004). The so-called upper castes—such as Brahmins, Thakuris, and Kshetris—who were aligned with the state, received land grants (*birta*) and government jobs, which elevated their class position. However, not all individuals within these castes had access to such privileges. Some remained ordinary farmers, subject to taxes and state obligations like anyone else.

The law established rules dictating which castes could live or eat together and outlined punishable actions that could lead to loss of caste identity. These strict rules were especially enforced on Dalits (Hofer, 2004). In some cases, Brahmins who opposed the government were demoted to lower castes, while members of groups like the Bhote were elevated to the Kshatriya caste.

These decisions were often politically motivated and based on a group's loyalty or opposition to the ruling elite (Hofer, 2004). According to the National Statistics Office (NSO, 2024), Nepal now recognizes 142 caste groups—a significant increase since the 2011 census. This growth is partly driven by identity politics and policies such as reservations in civil services and political inclusion, which have motivated castes to assert distinct identities, especially since 2006.

Since 2008, these affirmative action policies have led to further differentiation. For example, the Chhantyals and Puns have emerged as distinct from the Magar group, and the Tharus have asserted their identity as a unique indigenous group. These developments show that ethnic identity in Nepal is not fixed but rather fluid, shaped by historical processes and evolving policy frameworks. Urbanization, education, and globalization have contributed to breaking down traditional caste boundaries, especially in urban centers. However, in rural and less developed regions like Terai, Madhesh, Karnali, and the Far West, caste-based discrimination remains deeply entrenched.

Although caste-based governance was formally abolished in the 1950s, social stigma, prejudice, and unequal treatment persist, particularly for marginalized caste groups. Practices like untouchability have become less overt but are still evident in more subtle forms of exclusion—such as social avoidance, barriers to inter-caste marriage, or restricted access to communal resources.

In Nepal, upper-caste groups historically had easier access to land and government roles, although this was not universal. Brahmins and Kshatriyas often received *birta* grants and civil jobs, while some indigenous groups participated in the *Kipat* land system. In contrast, Dalits were relegated to subordinate roles in the agrarian economy, often required to serve upper castes through practices such as *jhara* (compulsory labor), *begari* (forced labor), and others, rather than benefiting from land grants like *birta*, *ghuthi*, or *jagir* (Regmi, 1976).

The intersection of caste and class is evident. During the Rana regime and earlier, groups with access to state privilege—such as those granted *birta*—have transitioned into positions of economic power, including the banking and corporate sectors. Higher castes (Brahmins, Kshetris, Thakuris, Newars, Terai Brahmins, and Rajputs) have influenced civil administration, the judiciary, and technical professions due to their early access to education.

In contrast, indigenous groups such as the Gurungs, Magars, Rais, Limbu, and Kshetri Thakuris have maintained strong representation in the Nepal Army (Pokharel & Pradhan, 2020). However, historically marginalized groups—such as Hill Dalits and Madhesh/Terai Dalits—have remained excluded. The caste system has thus played a central role in shaping class formation in Nepal (Blaikie et al., 1980).

Class structure

Pioneering studies of class by scholars such as Blaikie et al. (1980) and Mikesell (1999) have been influential. While their discussions on class types and analyses were relevant at the time, their interpretations now appear incomplete in the current context. Although Nepal's political and communist parties, along with some left-wing intellectuals, frequently discuss class, their writings and speeches often lack research-based evidence.

In Nepal, class discussions are primarily grounded in the studies of Karl Marx, Mao Zedong, and the experiences of developed countries. However, there is no clear framework for measuring class in Nepal. Defining a class in the Nepali context is a complex task. For instance, the same person or family may be engaged in multiple production systems. A rural family, for example, might be involved in agriculture, while one member works abroad, and another operates a business simultaneously. The opportunities created by foreign employment and the influence of the neoliberal economy at both the family and societal levels have further complicated the task of a class definition. Additionally, there are individuals in Nepal who seem to have improved

their economic status without directly engaging in production systems (such as through investment or speculative gains). There is currently no established framework to understand this emerging class.

In contemporary Nepali society, there is a popular phrase referring to the "neo-rich" or those who are "growing from the top." In the neoliberal economy, the distribution of goods and access to markets are largely mediated by middlemen. In Nepal, middlemen operate across the government, private, and public sectors, determining their commissions based on the services they perform. For example, if a farmer produces goods in a village, they sell them to a local merchant at a low price. That merchant then sells the goods to a businessman in the district headquarters, who in turn sells them to regional or national traders, before they finally reach consumers. The price of goods increases at each step. The market price is thus determined not by the producers or consumers, but by the middlemen. These intermediaries take various forms, such as brokers in real estate, facilitators of government work, contractors, or traders. In such a system, taking a commission is considered natural, and middlemen profit from this role. Even large industries often rely on agents (middlemen) to sell their products instead of doing so directly, which also affects market prices.

The middleman class in Nepal is an emerging group with access to both economic and political power (Uprety, 2021). This group can be observed at multiple levels, from the grassroots to higher tiers. While the media and intellectuals often mention this class, its character and political significance remain largely unexplored. Nevertheless, this class plays a vital role in sustaining the neoliberal economy. The middle class, more broadly, occupies a precarious position along two axes. It is shaped by an acute self-awareness of its intermediate position between the higher and lower classes (Liechty, 2010, p. 4). As the market economy shifts into a capitalist cash/consumer model, the middle class is increasingly transitioning from a caste-based identity to a class-based identity (Liechty, 2010). According to Liechty, the consumption and use of consumer goods and media imagery have become key cultural practices through which the middle class defines itself as a distinct social entity, thereby challenging traditional caste ideologies.

Due to internal developments such as infrastructure expansion, urbanization, and labor migration into non-agricultural sectors—along with the establishment of economic ties with trading countries—Nepal has evolved into a market capitalist economic and political system. According to Lohani (2072 B.S.), today, except in the most remote areas, class relations across accessible regions—especially in cities, district headquarters, market centers, and villages near roads—cannot be adequately understood using a basic Marxian framework. It is no longer sufficient to categorize society as composed of a small group of exploiters and a homogenous mass of exploited peasants.

A significant portion of the population is involved in small-scale farming, small private industries, and service-oriented businesses. A smaller segment is employed in government or semi-government roles or works as laborers. The greatest analytical challenge arises when considering workers employed abroad, especially in countries like India, the Gulf states, Korea, Japan, and Malaysia. What is their class status? In terms of income, they often earn more than domestic workers, yet they are disconnected from the local production system. Most of their earnings are spent by their families within Nepal on goods imported from industrialized, capitalist countries. These families often migrate to urban areas, enroll their children in private schools, and engage in small businesses. Once their income improves, it is common for them to enroll their children in more prestigious private institutions. The agricultural land of such families is often left barren or leased out.

The interests of farmers often clash with those of non-agricultural communities. Non-agricultural workers, capitalists, the middle class, and urban populations prefer to buy agricultural products at low prices, which increases their profits, wages,

and salaries—but this can create frustration among the farming community that produces the goods (Lohani, 2072 B.S.). Although Nepali small-scale farmers produce these goods, they have little control over how the products are marketed or priced. Middlemen dominate the collection, storage, and distribution processes. These intermediaries represent a class that profits from working between producers and consumers and are encouraged by the neoliberal system. Small-scale farmers are neither organized nor able to take their products to market themselves, making it difficult to compete with global imports due to market irregularities and middleman monopolies. Although PMPD supports small producers, Nepal's membership in the World Trade Organization prevents it from restricting imports.

Those earning income from non-agricultural sources are emerging as a new rich class. Economic prosperity and national influence are increasingly concentrated in urban communities involved in real estate, industry, trade, law, journalism, education, medicine, engineering, public service, corruption, contracting, consultancy, politics, and other urban professions. Skilled artisans and workers in the organized sector now enjoy greater prosperity and benefits than even the small feudal landlords of the hills (Lohani, 2072 B.S.). National dominance refers to the substantial influence exerted by specific individuals across key sectors. This power derives from a combination of economic and political capital and eventually attains social legitimacy. Such individuals often manipulate state policies and institutions to serve elite interests.

Outside of the Madhesh and Terai regions, few people own large tracts of land and depend solely on agriculture. In the Terai, some lower-caste groups still rely exclusively on farming and face ongoing scarcity and deprivation. The belief that agricultural production would rise with equitable land distribution is losing traction. Nowadays, even those with land often depend on non-agricultural activities, services, or jobs for their livelihoods. Commercial farming has only begun in limited areas. Small-scale farmers who once relied on family labor and reciprocal exchange now face high labor costs as family members prioritize education and seek work outside agriculture, making continued production unfeasible (Uprety, 2021). In the past, farmers had control over inputs like fertilizers, seeds, and storage. However, over the past 25–30 years, the adoption of improved seed varieties has led to the disappearance of local strains, now largely controlled by multinational companies.

Financial capitalism is challenging traditional definitions of class. Class analysis based solely on one's position in the production system has become inadequate and incomplete. Financial capitalism—centered on making money from money through mechanisms like the stock market and cryptocurrency—has redefined class divisions. Today, class is often determined by the assets a person holds: cars, houses, investments, and access to modern technology. Children who access education and employment opportunities abroad have formed a new class that challenges traditional caste-based social norms.

The mode of production and its transformation

The state of Nepal was formed through the unification of small principalities. Various rulers, including the Kirat, Licchhavi, Malla, and Shah dynasties, contributed to the development of the Nepali state. From the time of Prithvi Narayan Shah to the Rana period, Nepal's production system can be characterized as feudal. After the 1950s, the weakening and eventual disintegration of feudal institutions such as *Birta*, *Jagir*, and *Begari* led to the emergence of new socio-economic structures. Local cottage industries have existed in Nepal since ancient times. For example, producing cloth from cotton, silk, wool, and linen, and extracting and processing metals like iron and copper using indigenous technologies, were activities traditionally carried out by artisan castes. However, the state failed to industrialize these sectors (Mikesell, 1999; Blaikie et al., 1980).

Following the Sugauli Treaty—and especially after 1950—the local production system was displaced by foreign goods. The state's policies aimed at protecting and commercializing domestic products could not be effectively implemented, and Nepal became a market for Indian goods. The economic relationship between Nepal and India developed into one resembling a center-periphery model, whereby raw materials and labor were extracted cheaply from Nepal, and finished goods were sold back at a profit (Blaikie et al., 1980; Mikesell, 1999). Although state-owned industrial factories were established after 1950, they collapsed during the structural adjustment programs of the 1980s and the economic liberalization of the 1990s. Consequently, Nepal's form of capitalism today can be described as market capitalism, which has displaced traditional, locally based production systems such as *radi-pakhi* weaving, handloom textiles, and indigenous manufacturing. This shift disrupted the small-scale, self-reliant economy and local employment (Blaikie et al., 1980; Uprety, 2021). In its place, an import-oriented system has taken hold.

The economic structure, or relations of production, serves as the foundation upon which political structures are built and, in turn, shapes social consciousness. As Marx and Engels (1978) noted, social consciousness is not the cause but the result of social existence. In Nepal's case, however, this consciousness is not shaped solely by internal socio-economic and political factors but also by foreign employment, globalization, and rapid advancements in communication. The production systems of labor-receiving and economically dominant countries have significantly influenced Nepal's social structure and cultural interactions. According to Bhandari (2049 B.S.), Nepal's political economy is dominated by a comprador bourgeoisie, and national capitalism has yet to fully develop.

Capitalism, driven by neoliberal economics and globalization, appears to have embedded itself into traditional cultural and ritual systems, fostering consumeristic practices that align with capitalist values rather than eradicating them. For example, festivals, weddings, and ceremonies—once modest and community-centered—have increasingly become commercialized, with global capitalism generating consumer goods tailored for such occasions.

Although economic liberalization has reduced the role of the state, countries like Nepal have struggled to benefit from the global market due to the limited quality and quantity of their domestic products. Unable to compete with imports, Nepal's markets have become flooded with foreign goods. The closure of local industries and the dominance of multinational corporations—attracted by cheap labor and tax incentives—have not led to a significant increase in national wealth. However, globalization has created opportunities for Nepali laborers in international job markets, boosting foreign remittance income. Some scholars argue that globalization represents a form of ideological colonialism. Bhandari's PMPD (2049 B.S.) proposes that national capitalism can only be realized through the gradual expansion and diversification of small-scale local enterprises.

The changing face of the family

Traditionally, the family was the primary unit of production and reproduction in Nepal. However, over the past three decades, political and economic transformations have led to significant changes in family size, structure, livelihood, and relationships (Mishra, 2067 B.S.). Urbanization, in particular, has profoundly altered both the meaning and function of the family. No longer the central unit of production, the traditional definition of the family as a group simply living under the same roof must be reconsidered. Migration, education, and globalization have all contributed to the transformation of family structures. Extended and joint families have increasingly given way to nuclear families. For example, while the Tharu community traditionally lived in extended households, recent studies show a trend toward nuclear family arrangements (Pokharel et al., 2022).

Although Nepal is often described as an agricultural country, many families that once depended on agriculture are shifting toward non-agricultural occupations. Individualism has begun to replace collective values. The production system of the past—largely based on agriculture and animal husbandry—relied on family labor and aimed to meet household needs. In many cases, villages used to be largely self-sustaining through their production.

Changes in education have played a major role in transforming the family structure. Currently, about 90 percent of children in Nepal are enrolled in primary education (NSO, 2024). Attending schools and colleges often takes individuals outside of their immediate local, caste, and family environments, challenging traditional value systems and livelihoods. This exposure creates new tensions and contradictions within the family. As a result, traditional hierarchical relationships between parents and children have become more egalitarian. The younger generation gains greater influence within the household due to the information, skills, and experiences acquired through education and external exposure (Mishra, 2067 B.S.). These changes also introduce challenges in maintaining traditional agricultural practices and managing labor within the household.

Labor migration has increased significantly in recent decades, further loosening family ties. While migration has a long history in Nepal, its scale and scope have grown substantially. Migrants often find themselves beyond the direct control of their families, and as they become financially self-reliant, family authority over them diminishes (Mishra, 2067 B.S.).

Crony capitalism

Some scholars (Harvey, 2005; Aligica & Tarko, 2014) have described Nepal's current economic system as crony capitalism. This term is frequently used to characterize the political and economic systems of developing countries. According to Harvey (2005), crony capitalism is a system in which political administrations extract significant economic value by creating and implementing policies. This system acts as an intermediary that dominates the economy, enabling politically connected actors to accumulate wealth. The state often maintains a monopoly over subsidies, capital, loans, grants, and other resources.

Aligica and Tarko (2014) define crony capitalism as a specific type of social relationship that enables certain individuals and families to benefit from favorable decision-making. Those at the top bring individuals from lower ranks into their sphere of influence—not because of merit or skills, but based on personal loyalty. While this relationship is manifested economically, it is rooted in cultural norms. Cronyism, in this sense, refers to relationships between elite political or business families and their networks. It also implies a connection between lower-level actors or small enterprises and the state's administrative apparatus. Crony capitalism influences legal and policy changes through lobbying, operating based on familial and personal ties, ultimately shaping entire industries. Although cronyism may offer short-term benefits to some businesses, large industries often exploit these relationships to weaken their competitors by bending laws in their favor.

Peasants within neoliberalism

There is ongoing debate over whether the peasantry constitutes a social class or merely a conceptual category. Ian Roxborough (1979) argues that it is inadequate to describe peasant society as a single or unified mode of production. According to him, agricultural systems around the world are diverse, and within each system, there exist multiple categories and class distinctions. Wolf (1997) views the concept of "peasant" as part of an ideological framework—one that encompasses cultural values and actions related to managing social crises (such as death and illness) and fulfilling community obligations.

Farmers are typically defined as a class that produces and consumes their goods. However, in the context of Nepal, the agrarian population is not homogeneous. Different categories of farmers—

rich, middle-class, lower-middle-class, and poor—can be identified (Uprety, 2021). Among them, poor farmers operate subsistence systems that rely heavily on family labor, while rich and middle-class farmers often depend on the labor of poorer farmers. In essence, some produce primarily for personal needs, while others engage in semi-capitalist or capitalist forms of production.

Since the late 1980s and early 1990s, Nepal's agricultural system has increasingly become integrated into global capitalism. A market-oriented economy has gradually entered rural areas, driven by commercial farming and the inflow of remittances. As a result, traditional practices—such as reliance on informal credit systems—have weakened or been displaced (Uprety, 2021). Until about fifty years ago, the main goal of farming households in Nepal was to maximize the use of family labor for self-sufficiency. This has fundamentally changed due to shifts in national economic and political policy. Today, very few families rely solely on agriculture for their livelihood (Uprety, 2021).

Technological advancements such as hand tractors, the construction of agricultural roads, and transport systems driven by neoliberal policies have also altered traditional gender roles. The process of joint family disintegration in rural areas began with the introduction of simple cash crops and the inflow of remittance income. As younger family members started earning independently, they gained greater autonomy over their income and decision-making. Thus, both remittances and small-scale commodity production have played major roles in transforming Nepal's rural economy (Uprety, 2021). Nevertheless, clearly defining Nepal's current social classes and their specific characteristics remains difficult.

The peasant class

Peasantry, as Wolf (1997) suggests, is an ideological system encompassing various ideas and actions aimed not only at survival but also at preserving family culture and coping with potential crises. In the context of Nepal, defining who qualifies as a "farmer" is complex. Bhandari's PMPD (2049 B.S.) classifies agrarian groups into landlords, rich farmers, lower-middle-class farmers, and agricultural laborers.

Over the past 30 or 35 years, very few people in Nepal's hilly and mountainous regions have relied solely on agriculture, while dependence on agriculture remains more common in the Terai and Madhesh regions. About 30 years ago, most Nepali households produced essential goods for themselves, relying on markets or exchanges only when needed. This has gradually shifted toward greater market dependence.

Foreign employment and urbanization have significantly increased the use of cash in rural areas. At the same time, more farmers have shifted from traditional agriculture to cultivating market-oriented cash crops. Today's market producers include both landowners and tenant farmers engaged in commercial activities. Even within the same village, the processes of "depeasantization" (abandoning farming) and "repeasantization" (returning to farming) can be observed (Uprety, 2021). For instance, Uprety's ethnographic study (2021) documents how landless Dalits in the hills have returned to farming by purchasing land in their home villages with remittance income. This indicates a shift in both the means of production and the dynamics of class and caste in rural Nepal.

Domestic workers

In Nepal, a significant portion of the economically active population is considered semi-employed. According to the 2021 census data, nearly 37 percent of the population is not engaged in any form of work (NSO, 2024). Many individuals are employed in the informal sector, such as agricultural labor or in private construction companies. Others work on development projects that are still under construction, where job security is uncertain. While some workers are employed in urban or semi-urban areas, rural regions face a shortage of labor, which increases agricultural production costs. This situation suggests that a large portion of the population is engaged in domestic work that barely meets their subsistence needs.

Unorganized workers

In neoliberal societies, workers are not organized in the same way as those in 19th- and 20th-century Europe and other developed countries. This lack of organization is largely due to the decentralization of production. With the rise of post-Fordism, many developed countries relocated their industries to underdeveloped or developing countries to reduce production costs. To further minimize expenses, production is often outsourced to other companies through contracts and commissions. Additionally, multinational corporations establish industries in countries where trade union activities are restricted and wages are low. As a result, urban and industrial workers in Nepal and similar countries remain largely unorganized and have lost their collective bargaining power.

In both the formal and informal sectors in Nepal, most workers are hired on an as-needed basis. Some industries in the Tarai prefer to hire Indian laborers over Nepali workers due to perceptions of greater loyalty, lower likelihood of union involvement, and less absenteeism. In the Nawalparasi and Kavre districts, owners of farms and industries often favor hiring external laborers rather than local workers. One reason is the perceived higher productivity of non-local workers, who are more consistent in attendance. For example, I observed Tharu laborers from Lumbini Province working in Temal, Kavre.

Foreign employment workers

There is no definitive data on the exact number of Nepalis employed abroad. However, estimates suggest that around eight million Nepalis (including those in India) are working overseas. According to the *Labor Migration Report 2022*, 500,000–600,000 people migrate abroad for work annually (GON, 2022). Most of these migrants are laborers, with only a small portion working in professional sectors. Their remittance income plays a crucial role in supporting Nepal's rural economy and agricultural systems.

In the past, a person's social and economic status in rural areas was determined by their means of production—land, livestock, and whether their harvest could sustain them year-round. Today, however, class distinctions are increasingly based on how many family members are working abroad and the amount of remittance income they generate. Families with several members employed overseas often enjoy elevated social prestige.

Since World War I, Nepalis have migrated abroad for education, employment, and settlement. Poor families typically send laborers to countries like the Gulf, Malaysia, and South Korea, while more affluent families sell property to finance migration to the U.S., Australia, or Canada. This has led to the formation of a widespread Nepali diaspora, split into "old" and "new" migrant communities around the globe. These communities not only help individuals adapt to global systems and cultures but also promote Nepal's culture and traditions internationally. Advances in electronic media have further strengthened these connections, enabling the exchange of ideas that increasingly influence local cultures and societies.

The middle class

The number of people belonging to the middle class has grown rapidly due to the neoliberal economy in Nepal and elsewhere. As the market economy has expanded, particularly in the service sector, this class has benefited comparatively more than others. It includes professionals such as doctors, engineers, professors, teachers, civil servants, army and police officers, employees of international and national organizations, retailers, consultants, and political activists. This class is often critical and observant of both domestic and international affairs. Members of the middle class tend to send their children to expensive schools and universities, either within Nepal or abroad.

The capitalist class

Bhandari's PMPD (2049 B.S.) categorized capitalist classes as comprador capitalists, national capitalists, and brokers. Among these, the number and influence of national capitalists remain limited. With the adoption of open market policies in the

1990s, crony capitalism began to take root and eventually became dominant in Nepal. This transformation was largely driven by the open market economy, which facilitated the rise of intermediaries engaged in the sale of goods and services.

Nepal's capitalist class includes large industrial houses, wholesalers, major hotel owners, bankers, investors in hydropower projects, and those involved in import and export businesses. Many business families have investments spanning multiple sectors—banks, insurance companies, industry, and trade. This class also receives various investment incentives. Although their numbers are small, they appear to exert considerable control over the national economy. It can be assumed that many of them also have investments abroad.

This class maintains close ties with politics and actively lobbies for changes in policies, laws, and regulations to serve their business interests. Following the political transformation of 2006/2007, some business families even began engaging directly in politics.

Class, caste, and gender relations

Positions based on caste and birth are, to varying degrees, considered illegal. While discrimination between Dalits and non-Dalits has decreased in urban and semi-urban areas, it remains prevalent in the Madhesh, Karnali, and Far Western regions. In these regions, practices of untouchability persist, including prohibitions against Dalit entry into temples and other public spaces.

Rankin's (2004) study indicates that the social and economic conditions of Dalits have improved with the transition from an agricultural to a market economy. Although urbanization and market forces have significantly reduced discrimination, it persists within households and private spaces. Furthermore, as Dalits have become less dependent on non-Dalits for their livelihoods, discrimination has declined. Their integration into urban areas, increased participation in market-based consumption, and skilled labor have all contributed to this positive shift Rankin's (2004).

Gender relations in Nepal have been influenced by the market economy, legal reforms, advances in education, and the growing participation of women in both formal and informal employment sectors. National and international organizations have also played a significant role in driving these changes. However, these transformations have not been consistent across all regions.

Gender discrimination remains widespread, particularly in the hilly districts of Karnali, the Far West, and Madhesh/Terai. Policy reforms have increased women's representation, rising from 8 percent in 2008 to 27 percent in the bureaucracy, and nearly 50 percent in local government bodies as of 2021. While conditions for women in urban areas are improving, women in the Far West, Karnali, and Madhesh provinces continue to face greater challenges than men. Issues such as child marriage, the dowry system, the *chhaupadi* tradition, and illiteracy persist. The situation of Dalit women in these provinces is even more severe (Pokharel and Pradhan, 2020).

Assessing class and caste from the PMPD perspective

Marxism is both a dynamic theory and a practical framework. The mode of production plays a determining role in a country's development. Bhandari (2049 B.S.) classified Nepal as a semi-feudal and semi-colonial country, arguing that the fundamental characteristics of Nepali society have remained unchanged over time. Global imperialism has historically dominated small, weak, and underdeveloped nations. Nepal achieved limited freedom through the 2007 B.S. revolution; however, this was short-lived, as King Mahendra later introduced an autocratic system that reversed those gains. As a result, Nepal became the second poorest country in the world (Bhandari, 2049 B.S.).

PMPD aims to transform the discriminatory social structure by eradicating caste and ethnic discrimination. Significant progress has been made

since 2046 B.S., with noticeable reductions in caste-, ethnic-, and gender-based discrimination. Social protection measures for the elderly, persons with disabilities, and orphaned children have also been prioritized, particularly during the CPN-UML government in 1995. PMPD also advocates for religious freedom and the end of the dominance of a single religion, language, or cultural tradition. These changes have been made possible through the vision and foresight of PMPD and are seen by the public as a reflection of their secular values.

The primary goal of PMPD is to eliminate the exploitation rooted in feudalism and imperialism. According to Bhandari (2049 B.S.), true political, economic, social, and cultural transformation is impossible without transferring power to the people. Bhandari argues that development could only be achieved by utilizing the labor, skills, and talents of the population. Bhandari's analysis of Nepali society in the early 1990s identified the dominance of foreign capitalists and the comprador bourgeoisie in local industry and trade, which hindered the growth of small and medium-sized national capitalists. This situation worsened in the 1990s with the adoption of neoliberal and globalization policies, as Nepal transitioned into a market capitalist economy. Foreign goods flooded domestic markets, and crony capitalism took root. Consequently, a culture of intermediaries emerged across nearly every sector of social and economic life.

Conclusion

The transformation driven by market capitalism, labor migration, education, socio-political movements, and information technology has profoundly disrupted traditional rural life, dismantling long-standing economic roles, cultural values, and social structures. As the family unit loses its central role in production, the very foundation of the peasant economy and rural life is being fundamentally redefined. Thus, Eurocentric Marxist and non-Marxist frameworks are insufficient for understanding class in the Nepali context.

Labor migration further complicates traditional class analyses. As Nepali participate in foreign economies while maintaining social and political ties to their homeland, their class identities become fluid and difficult to classify within conventional Marxist or capitalist paradigms. This ambiguity is compounded by Nepal's contradictory posture: professing a commitment to socialism while operating within a capitalist system. These tensions highlight the limitations of traditional class theory and underscore the need to reconceptualize class in transnational and post-migration contexts.

Marx (1884) argued that the introduction of a market economy into an agrarian society dismantles rural industries, severs the connection between traditional crafts (*kaligadi karma*) and agriculture, and fosters a consumerist culture in rural communities. This transformation illustrates how market forces reshape agricultural societies, altering both livelihoods and local economies. From a historical perspective, the post-World War II global order has made it nearly impossible for peripheral nations like Nepal to develop independent economic systems. According to Uprety (2021), the global dominance of capitalism—both historically and in the present—has extended into even the remotest regions of the world through multilateral organizations, often backed by bilateral development agencies. This global influence has compelled nearly all countries to adopt neoliberalism as the dominant development philosophy (Uprety, 2021).

References

Aligica, P. D., & Tarko, V. (2014). Crony capitalism: Rent seeking, institutions and ideology. *Kyklos*, *67*(2), 156–176. https://doi.org/10.1111/kykl.12048

Bhandari, M. (2049 B.S.). *Document presented at the Fifth convention of the Communist Party of Nepal*. CPN (UML), Central Publicity Department.

Blaikie, P., Cameron, J., & Seddon, D. (1980). *Nepal in crisis: Growth and stagnation in at the periphery*. Oxford University Press.

Comaroff, J., & Comaroff, J. L. (2000). Millennial capitalism: First thoughts on a second coming. *Public Culture*, *12*(2), 291–343. https://doi.org/10.1515/9780822380184-001

Gaige, F. H. (1975). *Regionalism and national unity in Nepal*. University of California Press.

Government of Nepal. (2022). *Nepal labor migration report 2022*. Ministry of Labor, Employment and Social Security.

Harvey, D. (2005). *A brief history of neoliberalism*. Oxford University Press.

Hofer, A. (2004). *The caste hierarchy and the state in Nepal: A study of the Muluki Ain of 1854*. Himal Books.

Liechty, M. (2010). *Out here in Kathmandu: Modernity in the global periphery*. Martin Chautari Press.

Lohani, Govinda Prasad. (2072 B.S.). Traditional Marxism and the Agrarian problem. In S. Tamang, R. P. Joshi, & U. Rizal (Eds.), *Nepali society: Pre-capitalist or capitalist?* Forum for Agrarian Concern and Studies in Nepal.

Mandel, E. (1990). Introduction. In K. Marx, *Capital I: A critique of political economy* (B. Fowkes, Trans.; Vol. 1, pp. 11–86). Penguin Books in association with New Left Review. (Original work published 1867).

Mao, T. (1975). Analysis of classes in Chinese society. In *Selected works of Mao Tse–Tung* (Vol. 1, pp. 13–21). People's Publishing House.

Marx, K., & Engles, F. (1848). *Manifesto of the communist party*. William Reeves.

Marx, K. (1976). *Capital I: A critique of political economy* (B. Fowkes, Trans.; Vol.1). Penguin Books in association with New Left Review. (Original work published 1867).

Marx, K., & Engels, F. (1978). *Marx-Engels reader* (R. C. Tucker, Ed.). Princeton University.

Mikesell, P. (1999). *Class, state and struggle in Nepal: Writings 1990–1995*. Manohar Publishers and Distributors.

Mishra, C. (2067 B.S.). *Badlindō nepali samaj* [*Changing Nepali society*]. Fine Print.

National Statistics Office (NSO). (2024). *National population and housing census 2021: Population composition of Nepal*.

Pokharel, B. & Pradhan, M. (2020). *State of inclusive governance: A study on participation and representation after federalization in Nepal.* Central Department of Anthropology, Tribhuvan University.

Pokharel, B., Gurung, Y. B., Chemjong, D., Rai, S. (2022). *Digo bikaska mukhya suchakharuka adharma tharu samudayako samagra awasthako adhayan* (*A study on state of Tharu people in terms of major indicators of sustainable development goals*) [Unpublished project report]. Central Department of Anthropology, Tribhuvan University.

Rankin, K. N. (2004). *The cultural politics of markets: Economic liberalization and social change in Nepal*. University of Toronto Press.

Regmi, M. C. (1976). *Landownership in Nepal*. University of California Press.

Roxborough, I. (1979). *Theories of underdevelopment*. Macmillan.

Sharma, J. (2039 B.S.). *Hamro samaj: Ek adhyan* [*Our society: A study*]. Sajha Prakasan.

Sharma, Pitambar. (2008). *Nepālī kyānvāskā raṅg-haru* [*Colors of the Nepali canvas*]. Himal Kitab.

Uprety, L. P. (2021). *Peasantry under capitalism in contemporary Nepal: Macro & micro narratives*. Print Communication Pvt. Ltd.

Wolf, E. R. (1997). *Europe and people without history*. University of California Press.