

Incidence of Poverty in Nepal : Thought, Trend and Challenges

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The purpose of this paper is to review the poverty scenario talking about the trend, challenging factors and provincial comparative analysis of poverty in Nepal. This paper is mainly based on a literature survey. This paper uses quantitative data for the study purpose. To answer the research, two different sources-Nepal Living Standard Survey report (2010/11) and Nepal Multidimensional Poverty Index Report (2017/18) are reviewed. Descriptive cum comparative research design is followed. Simple descriptive tools : frequency, percentage and trend line, bar-diagram are used for data analysis. The official statistics shows that the trend of poverty in Nepal is in decreasing order. Distribution of poverty across the country varies with high severity in rural and low in urban areas. Karnali Province and Province 2 have the highest rate of multidimensional poverty index than that of other provinces. Policy level corruption, political apathy, dishonesty, dependency, pandemic diseases, lack of meritocracy, nepotism and dogmatism, crony capitalism, inequality and unemployment, low level of agriculture productivity etc. are the leading factors of poverty in Nepal. There are various measures to analyze the poverty. However, this paper considers only cost based basic needs approach as a measure to examine the incidence of poverty. This paper provides the guidelines to

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the decision makers, planners and academicians, especially for the developing countries to understand the important lessons regarding the investing in anti-poverty programmes. Examining the trend and incidence of poverty in developing countries like Nepal is the foundation of best planning and policy making to add value for the process of theoretical foundation as well as human development.

[**Keywords** : Poverty, Alleviation, Incidence, Consolidates, Well-being, Exclusion]

1. Introduction

Poverty is itself a complex, dynamic and multidimensional phenomenon. Still millions of people are struggling for their hand to mouth problem all over the world (UNSD, 2005). Internationally, since 1960 the notion of poverty alleviation became so popular. In 1960, Robert McNamara, President of World Bank (WB) argued that economic growth is necessary but not sufficient to human well-being, for it development programmes must attack over the intensity of poverty. In 1970, WB published a report entitled 'redistribution with growth' the report consolidates deep concentration of developed society on the issues and incidence of poverty. In 1970, International Labour Organization (ILO) defined poverty in relation to basic needs. After 1980, the concept of poverty jumped from economic factors to non-economic (Hunger, 1994). Robert Chamber's (1983) study on 'powerlessness and exclusion' brought new horizon in development discourse, particularly in understanding the concept of poverty. As same Amartya Sen's (1981) study added new gravity to understand the concept of poverty, focusing on the direct access of mass people on food but not only production. Further, he asserts that people's purchasing power must be so strong. The growth rate of people's income must be greater than that of market price growth rate of food. For instance, in 1942 many people were suffered by famine and starvation in West Bengal of India. It was not by shortage of food supply but by low purchasing power of people (Sen, 1981).

Poverty is a cross-cutting issue in development discourse. It can be defined in a number of ways. The most common is the cost-of basic-needs approach which mainly uses basic caloric threshold. Nepal has measured poverty in absolute terms-using a poverty line indicated by the cost of a predetermined basket of goods (Bhusal, 2013). Nepal uses an absolute poverty line, based on the food expenditure needed to fulfill per-capita 2,220 calories per day including a non-food allowance (CBS, 2011). Living Standard Survey (2010/11) measures poverty line based on income and calories. It

does not concern on how the people maintain their basic living standard. Poverty index is a tool to measure the development. Poverty index includes common poverty gap indices like human poverty, Foster Greer-Thorbecke P2, and multi-dimensional poverty. This paper deals with not all the indices explained here but uses head count and multidimensional indices. This paper can logically be worth well to the stakeholders, local level policy makers, academicians and concerns authorities to examine the current scenario of poverty for making the future plan as well.

2. Objective of the Study

Government of Nepal (GoN) has been spending a huge amount of budget on poverty alleviation over the past six decades, although the intensity of poverty still persists. The changing scenario in international development assistance has compelled the GoN to re-orient its development focus. Much emphasis is being paid towards the development of poor classes. Thus, the purpose of this paper is to review the poverty scenario with regards to the trend, challenging factors and provincial comparative study of poverty in Nepal.

3. Method and Materials

This paper is mainly focused on a literature survey to answer the research queries. Four different sources are Nepal Living Standard Survey report (2010/11), Nepal Multidimensional Poverty Index Report (2017/18), Current Fifteenth Five Year Plan (2019/20-2023/24) and Economic Survey of Nepal (2019/20). This paper uses two analytical approaches, descriptive cum comparative, in which the descriptive approach describes the current status and trend of poverty while comparative approach makes relevant comparison based on provincial and residential (Rural and Urban) classification. Basic statistical tools: tabulation, percentage analysis, time series and bar diagrams are used for data analysis and presentation.

4. Results

4.1 Thoughts of Poverty

Poverty is a large and multifaceted set of explanations that focus on the individual as responsible for their poverty situation. Bill Gates remarkably said, "...if you born in poverty, it is not your

mistake, and if you die in poverty, it is your mistake.” Individual thought of poverty, thus, ascribes poverty to lack the genetic qualities such as intelligence that are not so easily reversed by individual behaviour, attitude and discipline.

Poverty is created by the transmission over generations of a set of beliefs, values, and skills that are socially generated but individually held. Individuals are not necessarily to blame because they are victims of their dysfunctional cultural practices. The cultural thought of poverty root causes in the culture of poverty. If local culture is regressive in nature, the intensity of poverty becomes more chronic (Bradshaw, 2006).

Causes of poverty are so long existing socio-economic, political, institutional and cultural discriminations. This thought does not believe on individual as a source of poverty, but it believes on the existing system which causes people to have limited opportunities and resources with which to achieve income and well-being (Bradshaw, 2006). In nineteenth century social thinkers reviewed on individual thought of poverty by exploring the existing uneven socio-economic beliefs. For instant, Karl Marx shows how the economic system of capitalism created the ‘reserve army of the unemployed’ as a conscientious strategy to keep low wages. Thus, existing discriminated socio-economic and cultural systems are the roots of poverty in society.

Existing geographical difficulties are the sources of poverty. For example, Mountain Region of Nepal is relatively low in position and accessibility of modern facilities because of location rigidity. Cumulative thought described by various philosophers seem complex in terms of the sources of poverty. However, it has its origins in economics in the work of Gunnar Myrdal (1957) who developed a theory of “...interlocking, circular, and interdependence within a process of cumulative causation” that helps to explain economic underdevelopment and development status.

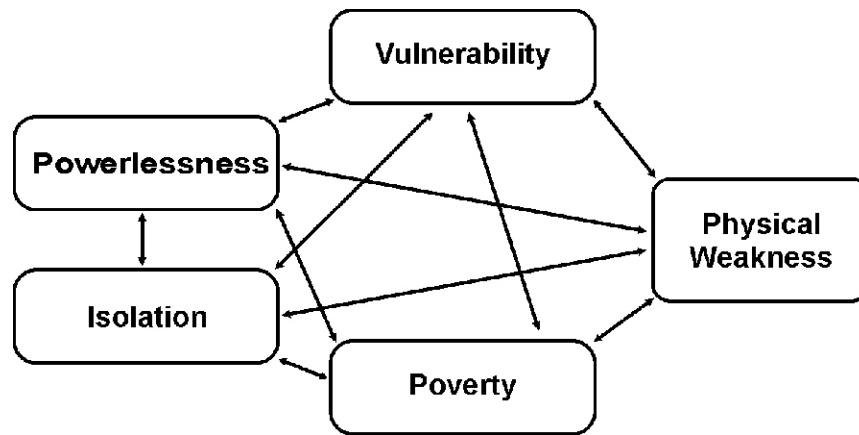
4.2 Understanding Poverty

Poor means a person or a group remained below the national or regional poverty line prescribed by Nepal Government or international agencies as per necessity from time to time under the set standard; remained backward on the basis of human development indicators such as education and health etc; and

excluded from the national development process on the grounds of particular gender or social group (Poverty Alleviation Act, 2006).

Poverty is a social phenomenon in which people cannot meet their basic necessities of life. It is a deprived condition namely lack of opportunities, low capabilities, low level of securities and empowerment. Basically, it is a denial of choices and opportunities, a violation of human dignity, insecurity, powerlessness and exclusion of individuals, households and communities. It means defenselessness to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation (UN, 2011). Poverty is multifaceted, manifested by conditions that include malnutrition, inadequate shelter, unsanitary living conditions, unsatisfactory and insufficient supplies of clean water, poor solid waste disposal, low educational achievement and the absence of quality schooling, chronic ill health, and widespread common crime (UNSD, 2005). Robert Chamber (1983) defined poverty in his well-known book entitled '*Rural Development : Putting the Last First*', as a deprived condition by multiple factors.

Figure-1 : The Deprivation Trap



Source : Chamber, 1983

Poverty as a discourse is conceptual thought that interrelated factors for example; depressed, hunger, voiceless, powerless, homelessness and ill-health, loses the human well-being and happiness. There are two remarkable facial manifestations of the conservative academic representation of poverty. First, poverty is considered as a tangible material condition and allowed the status of a dependent variable. Second, a list of independent variables (causal factors) they may be different from society to society to explain the incidence of poverty (WB, 1990).

4.3 Incidence of Poverty in Nepal

A method commonly used in developing countries is used to calculate a national poverty line. The poverty line or threshold is the minimum level of income estimate necessary to achieve an adequate standard of living in a given country. This minimum level is usually called the poverty line. The poverty line determines the threshold of income or expenditure, separating poor and non-poor people. Most countries use multiple poverty lines to capture monetary versus non-monetary measures of poverty, and how people and household incomes are distributed around the poverty line, hence the determination of relative poverty and absolute poverty. The official monetary poverty line at current market prices is NRs 19,261 (Central Bureau of Statistics [CBS], 2011) per person per year. This is approximately \$ 225 as of April, 2013 transaction rate. The poverty line for Nepal, in average 2010-11 prices, has been estimated at Rs. 19,261; the food poverty line is Rs. 11,929 and the non food poverty line Rs. 7,332. The poverty line establishes the distinction between who is poor and who is not. In particular, according to the 2010-11 poverty line, an individual in Nepal is considered poor if per-capita total annual consumption is below Rs. 19,261 (Table-1).

Table-1 : Food and Non-Food Consumption Line for Poverty Incidence

Survey	Total Income in NRs (%)	Food (%)	Non-food (%)
NLSS II (2003/04)	7,696 (100)	4,966 (65)	2,729 (35)
NLSS III (2010/11)	19,261 (100)	11,929 (62)	7,332 (38)

Source : CBS, 2011

Note : NLSS indicates the Nepal Living Standard Survey

Poverty incidence for a given area is defined as the proportion of individuals living in that area who are in households with an average per capita expenditure below the poverty line. Poverty gap is the average distance below the poverty line, being zero for those individuals above the line. It estimates how far below the poverty line the poor are on average as a proportion of that line. It thus represents the resources needed to bring all poor individuals up to a basic level. Poverty severity measures the average squared distance below the line, thereby giving more weight to the very poor. The

squared poverty gap takes into account not only the distance separating the poor from the poverty line, but also inequality among the poor, thereby giving more weight to the poorest people than the less poor (GoN, 2011).

Table-2 : Status of Poverty in Nepal

Area	Headcount Index (%)			Poverty Gap Index (%)			Squared Poverty Gap Index (%)		
	1995-96	2003-04	2010-11	1995-96	2003-04	2010-11	1995-96	2003-04	2010-11
Nepal	41.76	30.85	25.16	11.75	7.55	5.43	4.67	2.7	1.81
Urban	21.55	9.55	15.46	6.54	2.18	3.19	2.65	0.71	1.01
Rural	43.27	34.62	27.43	12.14	8.50	5.96	4.83	3.05	2.00

Source : CBS, 2011

Table-2 describes the overall incidence of poverty in Nepal. In 2010-11, 25 percent population was below the poverty line, compared to 42 percent in 1995-96 and 31 percent in 2003-04. Thus, the incidence of poverty in Nepal declined by about 16 percentage points (or 39 percent) over the course of fifteen years (1995/96 to 2010/11), a decline of 2.7 percent per year. The incidence of poverty in urban area is more than half (it declined from 22 to 10 percent, a change of 9.7 percent per year) during 1995-96 to 2003/04. Later on, the urban poverty is increased by 5.91 percent in between 2003/04 to 2010/11. While poverty in rural area also declined appreciably, at one percent point per year (1995/96 to 2003/04), its incidence remained higher than in urban area. According to the new poverty line, the poverty incidence (headcount rate) for Nepal in 2010-11 was 25.16 percent. The poverty rate was much lower in urban area (15.46 percent) than in rural area (27.43 percent). A simple comparison of poverty in 2010-11 (25.16%) with the estimate in the past for 1995-96 (41.76%) and 2003-04 (30.85 %) shows that poverty is in declining state. It is owing to the rapid rural-urban migration, inflow of remittance and transforming the farming. The decline is greater over the entire period close to 30 percentage point decline in the last 15 years.

Currently, the ratio of people living below the poverty line had dropped to 18.7 percent in Nepal, in part because investment in social sectors was increased dramatically and in part because employment and income-generation programmes were implemented (MoF,

2019/20). Despite this progress, around 5.5 million people are still living below the poverty line; poverty alleviation measures are fragmentary and uncoordinated; and policies and programmes have yet to be made result-oriented and effective.

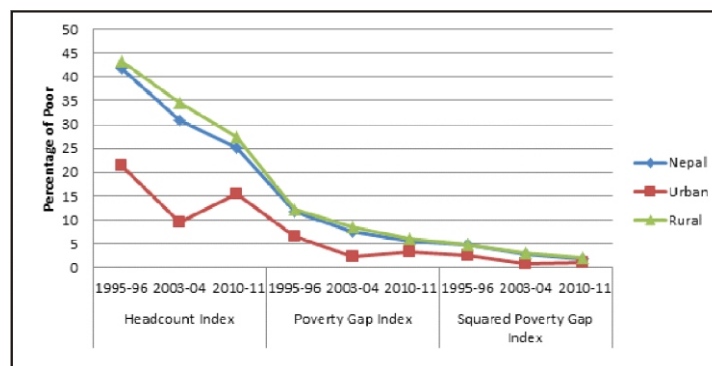


Figure-2 :Trends of poverty in Nepal (1995-2010)

4.4 Multidimensional Poverty Index

This section discusses on provincial distribution of poverty. The reason behind this is to identify the most disadvantaged areas having higher poverty concentration. Multidimensional Poverty Index looks at ten indicators, including child mortality, years of schooling, school attendance, nutrition, cooking fuel, improved sanitation, improved drinking water, electricity, asset ownership and flooring and roofing. Poverty is measured with non-monetary variables and deprivation indicators, using breakdowns of these indicators to construct poverty measures. The status of Multidimensional Poverty Index (MPI) of Nepal is presented below:

Table-3 : Status of Multidimensional Poverty Index (MPI) of Nepal

Province	Population Share (%)	MPI	Head Count Ratio- H (%)
Province No. 1	17.6	0.085	19.7
Province No. 2	18.4	0.217	47.9
Bagmati	22.0	0.051	12.2
Gandaki	11.6	0.061	14.2
Lumbini	16.5	0.133	29.9
Karnali	5.4	0.230	51.2
Sudur Paschim	8.5	0.146	33.6
Nepal	100	0.127	28.62

Source : NPC, 2018

The headcount ratio of MPI in Karnali province, province 2, Sudur Paschim province, Bagmati province, Gandaki province, province 1 and Lumbini province are 51.2 %, 47.9%, 33.6%, 12.2%, 14.2% and 19.7% respectively. All provinces except province 1 have the headcount ratio above the national MPI of 0.127. And this head count ratio explains the population of province being multi-dimensionally poor.

Table-3 includes the analyses of the poverty rate and intensity of poverty for each province and its composition. In terms of population size Karnali Province is the smallest province in Nepal, with 5.4% of the population and having the highest MPI of all provinces in Nepal, at 0.230. Province 2 has the second highest MPI of any province in Nepal, at 0.217 which is more than the national MPI (0.127). Province 2 is the second largest province (in term of population size); with 18.4% of the population. The Sudur Paschim Province has the third highest MPI of all provinces in Nepal, at 0.146 and it is the second smallest province in Nepal, with 8.5% of the population.

In terms of population size Bagmati Province is the largest Province in Nepal, with 22% of the population. The Bagmati Province has the lowest MPI at 0.051 and this is below the national MPI of 0.127. The Gandaki Province has the second lowest MPI at 0.061. The Province 1 is the third largest province in Nepal, with 17.6% of the population. It is the third lowest position of MPI at 0.085. In terms of population size, the Lumbini Province is the fourth largest province in Nepal, with 16.5% of the population. The MPI of the Province has the median of all provinces in Nepal, at 0.133. This is slightly above the national MPI.

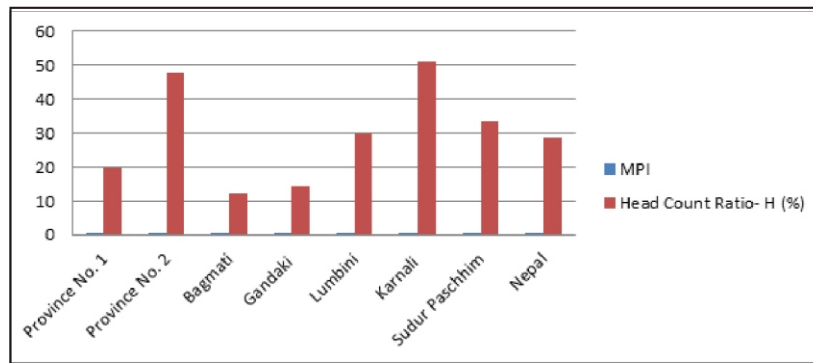


Figure-3 : Status of Multidimensional Poverty Index (MPI) of Nepal

Table-4 : Population Share and Multidimensional Poverty Index by Residential Areas (Rural and Urban)

Areas	Population Share (%)	MPI	Head Count Ratio- H (%)
Rural	78.5	0.147	33.20
Urban	21.5	0.031	7.0
Nepal	100	0.127	28.62

Source : NPC, 2018

Table-4 shows the population share, MPI and headcount ratio of poverty in urban and rural areas of Nepal. The rural poverty headcount ratio (33.2%) is much higher than for urban areas (7.0%). It means 7% of the urban population and 33.2% of the rural population are multi-dimensionally poor in Nepal.

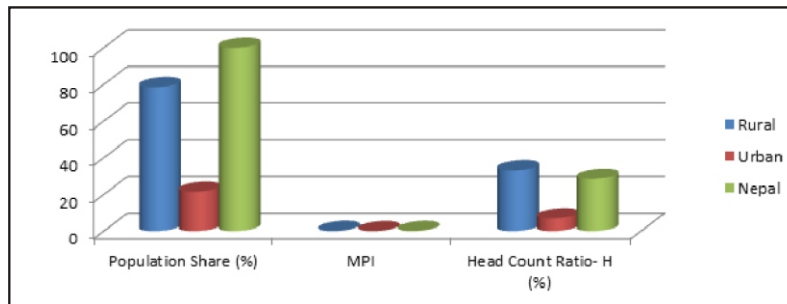


Figure-4 : Population Share and Multidimensional Poverty Index by Areas (Rural and Urban)

The overall development goal of the Government of Nepal (GoN) is to attain poverty reduction through sustainable, inclusive and equitable growth. The current fifteenth five year periodic plan is running as a game changer. The plan has a long-term vision of “Prosperous Nepal Happy Nepali”. The 15th plan has taken poverty alleviation and socio-economic equality as a leading strategy to achieve long term vision of the nation. The 15th plan aims to reduce absolute poverty and multi-dimensional poverty to 11 and 13 percent, respectively.

4.5 Challenging Factors of Poverty

Poverty itself is a problem of both developing and underdeveloped countries, but the level of poverty with its magnitude is different. Causes of poverty in Nepal are multiple. Poverty is the major challenges to development and principal

obstacle for prosperous human life. The factors of poverty in many developing countries are mostly common in nature. As a matter of fact, geography, politics, culture and a range of other factors are responsible for perpetuating poverty in Nepal. The feudalistic land ownership system has also played a major role in accelerating poverty in Nepal. Policy level corruption, political apathy, dishonesty, dependency, pandemic diseases, ignorance, insecurity, dis-empowerment, lack of meritocracy, nepotism and dogmatism, practice of crony capitalism, excluded locations, inadequate infrastructure, inequality and unemployment, insecure livelihoods, adverse geographical condition, taking agriculture as an inferior job/occupation, low level of agriculture productivity etc. are the leading factors of poverty in Nepal. Measuring poverty in absolute term gives some significant statistical insights, but the practice has various shortcomings even though incidence of absolute poverty seems to be falling rapidly in Nepal.

5. Discussion

Poverty is not only an issue of developed countries now but it is a serious issue of developing countries, too. Poverty incidence has implications for economic and other areas of development policy. Country-wise social realities are fictional: the UNDP measurements point to achievements in poverty reduction in sub-Saharan Africa, the Middle East and India which are totally at odds with country-level data and poverty estimates (Chossudovsky, 2003). High poverty levels are synonymous with poor quality of life, deprivation, malnutrition, illiteracy and low human development (Rao, 2005). The problem of poverty has continued to remain the central challenge of development at the global level (Ibid). But in the context of Nepal, incidence of poverty is still rampant in both rural and urban areas. Measuring tools are not uniform that represent diversity in the incidence of poverty. The determination of a poverty line cannot be based on an arbitrary selection of a low level of income. Only scientific criteria independent of income can justify where the poverty line should be drawn (UNDP, 2005).

There are number of studies made by the Government as well as individuals researcher on incidence of poverty and find quantitatively it difficult to agree on the amount of income that will ensure the minimum consumption standard at a given time frame (Chand, et.al., 2005). As same, Nepal's poverty line is practically

insufficient to meet the minimum requirement as compare to current market price, thus the poverty threshold must be updated accordingly. The result of earlier research and empirical evidence show that poverty reduction can be feasible even in low income countries like Nepal, if political will and well designed anti-poverty programmes are lunched properly. For instance, micro finance scheme of Bangladesh (Yunush, 2008) successfully reduced the incidence of poverty as well as followed the idea of 'leave no one behind' and alternative to development model. Thus, the Government of Nepal should monitor and upgrade the poverty line and anti-poverty policies regularly.

6. Conclusion

Both poverty and inequality have been the concern not only of Nepal, but of the world as a whole. A progressive government and society aim for a just and prosperous society. Thus, rising poverty and inequality should be subject of concern. In the past thirty years Nepal has dramatically reduced the incidence of poverty. This is supported by the official statistics published by different national level surveys and so on. Unfortunately, during this time frame inequality has been rising and falling. The Gini Coefficient that measures income inequality stood at 0.34 in 1996 and rose to 0.41 in 2004 and again fell to 0.33 in 2011 and 0.31 in 2019. The incidence of multidimensional poverty has also gone down. The intensity of poverty can be corrected through investment, growth, job creation, and quality education and political will. To reduce poverty, Nepal needs to enhance the inclusiveness in its economic growth. Capacity building and providing opportunities to utilize their capacity would be the policy suggestions for the government of Nepal and development partners. Expertise should be developed in the area of comparative advantages. Thus, not by providing but promoting the vulnerable groups in terms of security, opportunity, empowerment, participation, representation and mainstreaming will be the best alternative to alleviate the intensity of poverty in reality.

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