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## Changing Dynamics of Poverty in Nepal

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### Abstract

*Poverty in Nepal has changed at a moderate level over the past two decades. It is possible through structural shifts in politics and state authority patterns. Rising remittances and expanding social protection schemes, exploring options of livelihood beyond agriculture at the household level, are other factors that contribute to reducing poverty in Nepal. This article examines long-term poverty trends using data from the Nepal Living Standards Survey II (2003/04), III (2010/11), and IV (2022/23). It explains how government policies, remittances, urbanization, and inequality create new patterns of deprivation and poverty. It also emphasizes that consumption-based poverty has steadily declined across NLSS II, NLSS III, and NLSS IV. However, the trend and the speed of declining poverty have slowed compared to its efforts. At the same time, new forms of vulnerability have appeared after the quake and COVID-19. Vulnerability consists of urban informal settlements, widespread informal labour, and marginal social groups. Increasing climate-related risks are also major factors that lead to increased poverty. The article concludes that Nepal's poverty reduction efforts reflect both improvement and fragility at the same time. It demands a future effective strategy that needs to strengthen productive employment entirely, build human capability based on marginal social groups, and expand shocks-responsive social protection with significant priority in the government plan.*

### Keywords

Poverty, Tribal rights, Customary laws, Cultural autonomy, Constitutional pluralism, Self-governance, Gender justice, Human rights.

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## **Changing Dynamics of Poverty in Nepal**

### **1. Introduction**

Poverty is a significant problem in Nepal in the 21st century. Poverty in Nepal has long been influenced by a complex structural, historical, and socio-economic forces. Since the post-1990 restoration of the democratic system, Nepal has experienced major political and economic changes. These shifts have continued through the current federal system and market economy. It has changed household livelihoods, income sources, and social welfare systems. Understanding multidimensional poverty within political and social transformation requires longitudinal and data-based analysis. It was only made possible through the Nepal Living Standards Survey (NLSS). It was the most comprehensive and diverse household dataset in the country. The NLSS series-NLSS II (2003/04), NLSS III (2010/11), and NLSS IV (2022/23) offers a strong empirical basis for examining long-term patterns in consumption, income, inequality, human development, and spatial disparities.

The concept of poverty has also shifted within development studies and development academia. Earlier work measured poverty mainly through deficits in income or consumption (Sen, 1981; Ravallion, 1992). It was headcount poverty. More recent scholars' views suggest that poverty is a multidimensional condition involving deprivation in health, education, dignity, political participation, and access to opportunities (Alkire & Santos, 2010; UNDP, 2010). Nepal also reflects this conceptual shift in its plan and program. Headcount poverty has declined in Nepal in a moderate level. However, multi-dimensional poverty remains high among many disadvantaged groups. It consisted mainly on marginalized castes, remote regions, female-headed households, and land-poor families (NPC, 2021; OPHI, 2022).

The period covered by the NLSS surveys marks Nepal's movement through wide-ranging socio-economic changes. It reshaped livelihoods and welfare outcomes. A major seen feature of this period was the growth of labour migration and the rise in remittance flows. It contributes to transformed household income structures, labour markets, and consumption patterns equally (Seddon, Adhikari, &

Gurung, 2002). Rapid urbanization and the spread of informal settlements also created new forms of urban poverty (Acharya, 2024). It challenged the traditional rural-urban divide data-based measures of poverty (Muzzini & Aparicio, 2013). The economy of Nepal has experienced shifts from subsistence agriculture to services and diverse non-farm work. It leads to greater income diversification and inequality among people. At the same period the government expanded different social protection schemes to mitigate social poverty. Nepal has launched different social security schemes including old-age allowances, child grants, and disability benefits that helped strengthen household resilience and protect vulnerable groups from economic shocks (Holmes & Upadhyay, 2009; Acharya, 2022). Improvements in education and health have been significant. It shows higher literacy, better school attendance, and expanded healthcare access, enhanced human capabilities, and long-term well-being (CBS, 2011; NSO, 2023). These combined transformations shape the broader context of this analysis in which poverty trends recorded in NLSS II, III, and IV must be interpreted based on a multidimensional framework.

Despite reducing headcount poverty, structural challenges for inequality persist, which are challenges for policymakers. Inequality of opportunity related to geography, caste, gender, and class continues to influence poverty outcomes (Bhatta, 2011; World Bank, 2018). Climate risks are another challenge to reducing poverty. Uncontrolled internal and external migration and insecurity in informal labour markets, in which millions of lower-income people are involved. It has created new vulnerabilities for low-income households. These trends show that Nepal's poverty reduction is significant but uneven and less multidimensional.

The NLSS series offers a strong basis for systematically comparing poverty and well-being. It provided data on poverty across national, regional, and socio-economic groups in Nepal. Each survey represents a different stage in the country's socio-political and economic transition. NLSS II (2003/04) shows that Nepal had weak and unstable political conditions. These problems were mainly the result of the ongoing armed conflict between government and Maoist during that period. That was marked by high inequality, weak access to services, and limited livelihood options due to the cause of the political transition. During the post-conflict reconstruction phase, NLSS III (2010/11) was implemented with proper initiation of

government of Nepal. It shows certain improvements brought about by increased remittance flows. It indicates substantial increases in household consumption at that time. Nepal adopted federal restructuring after key political agreements between political parties. NLSS IV (2022-2023) was then conducted under this new federal system. That was a period of global shocks such as COVID-19 and inflation. This report considered both continued progress and new vulnerabilities side by side.

The surveys cover a wide set of indicators based on consumption and expenditure, income sources, and remittances. Similarly, it was based on employment, education, and health access, infrastructure, housing and sanitation, asset ownership, financial inclusion, and household coping strategies indicators. It shows the NLSS survey was based on a multidimensional framework. This broad coverage allows us to look beyond income-based measures and assess poverty through wider human development and capability approaches (Sen, 1999; Alkire & Foster, 2011).

Understanding these patterns and multiple measures is crucial to identifying multidimensional poverty, which has been faced by Nepal for a long time. The rate of poverty reduction has slowed as efforts. It is showed by the NLSS IV that regional disparities remain strong even after government initiations. Karnali and Sudur-pashchim are still highly marginalized. The mountain regions also experience severe marginalization. Uncontrolled foreign migration has created new risks due to unstable global labour markets and unstable remittance growth. Urban poverty has become more visible in excluded places. It was consisted mainly in informal settlements where households face rising living costs and insecure work (Acharya 2024). Structural inequalities in wealth, education, and labour opportunities still limit upward mobility of the excluded social groups. These barriers affect lower-class people in both rural and urban areas. Federal restructuring has also changed in resource distribution and development roles without an efficient development mechanism. In this context, examining poverty through NLSS II, III, and IV provides data-based insights into how Nepali households have progressed and faced new pressures under shifting political, economic, and social conditions.

This study has four main objectives. It reviews Nepal's long-term poverty trends using three NLSS surveys. It compares changes in income, consumption, employment, and inequality

between three surveys. It identifies new vulnerabilities such as migration dependence, urban informality, and regional disparities. It also examines how government programs and foreign support influence poverty outcomes.

## **2. Methodology and Data Sources**

Understanding long-term poverty trends needs a clear method and approach. The method must use reliable and comparable data. This study uses secondary quantitative data from Nepal. It uses the Living Standards Survey (NLSS) series of the Government of Nepal. The study includes NLSS II (2003/04), NLSS III (2010/11), and NLSS IV (2022/23). These three surveys provide the main evidence for the analysis. They follow the World Bank's LSMS model, which keeps the data comparable.

Nepal's three NLSS surveys cover two decades. It offers a detailed longitudinal view of household welfare, demographic transition, and structural change. NLSS II was carried out by the Central Bureau of Statistics during the armed conflict. It surveyed about 4,000 households across the country. The data focused high inequality, limited infrastructure access, and the early patterns of labour migration in Nepal. NLSS III, with roughly 6,000 households, was used for data. It was conducted during the post-conflict reconstruction period. NLSS IV, implemented by the National Statistics Office after federal restructuring, surveyed about 7,000 households. It provides the first nationwide picture of post-COVID socioeconomic conditions and new forms of vulnerability. All, these surveys create a consistent dataset. This allows meaningful comparison over two decades.

All three NLSS surveys use a stratified multi-stage cluster sampling design. It ensures national, provincial, urban-rural, and ecological representativeness at different levels. Primary sampling units were selected geographically. Households were randomly chosen within each cluster. Because these surveys use similar methodological designs and measure the same variables across all three series, the comparisons remain statistically valid (CBS, 2004, 2011; NSO, 2023).

## **3. Analytical Framework**

The analytical framework of this study combines quantitative methods and qualitative interpretations. Trend analysis under this

research compares monetary poverty, consumption, labour participation, income and remittances, service access, and inequality patterns under different contexts. It examines how these indicators change across the three NLSS surveys. Spatial analysis examines disparities between urban and rural areas, provinces, ecological regions, and demographic groups, including caste/ethnicity and gender.

The study uses a wide range of variables from the NLSS data. These variables come from different levels of household, individual and community data. Economic indicators include per capita consumption, household income, remittances, and types of employment in agriculture, non-agriculture, and services. Social indicators cover literacy, school attendance, health service use, drinking water, sanitation, and housing quality. Measures like the Gini coefficient, consumption groups, land size, and assets show inequality. Household traits such as caste and ethnicity show differences in poverty. Gender of the household head, family size, and region also show vulnerability. These factors show how social and geographic conditions shape household risks and provide a fuller picture of economic and social change over time.

The NLSS surveys have several limitations. Temporary migrants working abroad may be undercounted. The size of Migrants is seen significant. It requires the use of remittance data and household reports as substitutions. Differences in political and economic periods limit direct numerical comparison. This makes structural interpretation important. NLSS measures welfare but not subjective well-being. Broader theories of deprivation and vulnerability are needed. Still, NLSS is Nepal's most reliable national dataset on poverty. Using NLSS II, III, and IV together is valid because they cover conflict, post-conflict migration, and the post-federal, post-COVID period. This article shows how poverty, vulnerability, and well-being changed over two decades.

## **4. Data Presentation and Analysis**

### **4.1 Overall Poverty Trend**

Nepal's poverty trend across the three NLSS surveys shows a steady yet uneven decline in monetary poverty. NLSS II (2003/04). It was carried out during the conflict period, and reported a national poverty rate of 30.8%. At that time, poverty was reflected in limited infrastructure, weak access to basic services, and the early expansion

of labour migration. By NLSS III (2010/11), poverty had dropped to 25.2%. It marks the fastest reduction in Nepal's history. This improvement followed post-conflict stabilization. Rapid growth in remittances also played a major role. Policy reforms expanded electrification, schooling, and access to public services. NLSS IV (2022/23) showed that poverty continued to decline and reached about 20.3%. However, the progress in poverty reduction slowed down than expected. The slowdown has several causes. COVID-19, global inflation, and lower remittance growth from Malaysia and the Gulf affected the economy. Rising living costs in cities added more pressure. Rural agriculture also remained weak. These factors slowed poverty reduction. Under unstable politics, poverty reduction became more vulnerable. Structural problems strongly influenced these trends.

#### **4.2 Urban-Rural Poverty**

Data shows that rural poverty remains consistently higher than urban poverty across all NLSS surveys. It reflects long differences in infrastructure, service access, and economic opportunities. Urban areas experienced faster poverty reduction compared to rural areas. It was possible by better connectivity, expanding service sector employment, and greater economic concentration in urban areas. However, the nature of urban poverty is changing. Despite lower overall urban poverty rates, informal and unmanaged settlements mainly concentrated in urban areas show increasing vulnerability (Muzzini & Aparicio, 2013; Acharya, 2024). Households in these areas face insecure housing, dependence on informal labour, unstable incomes, and rising costs of food, transport, and housing rent (Acharya, 2024). It shows that the pattern and nature of poverty are different from the national data. Poverty remains in either city or rural areas in a multidimensional form concentrated on specific social groups and locations, which is ignored by policy.

#### **4.3 Provincial and Regional Differences**

The latest NLSS IV was conducted after Nepal's shift to federalism. It provides the first detailed provincial poverty profile and development status. Different level data shows poverty is highest in Karnali and Sudurpashchim Provinces. Households' experience of these provinces indicates that weak market access, limited economic diversification, difficult terrain, poor connectivity, and high climate vulnerability exist. These conditions reinforce heavy dependence on migration as a livelihood strategy even after federalism. In contrast,

Bagmati and Gandaki Provinces show the lowest poverty rates. Due to higher urbanization, strong service-sector development, tourism-related income, and better access to education and health facilities, poverty has significantly decreased (CBS, 2011; NSO, 2023). These regional patterns show that poverty in Nepal is increasingly shaped by geography and the availability of regional opportunities. These imbalance patterns are shaped more by regional opportunities than by household consumption and expenditure characteristics alone.

#### **4.4 Consumption and Expenditure Patterns**

Changing characteristics in consumption and expenditure patterns across the NLSS surveys have been under different contexts, providing additional evidence of rising living standards in Nepal. It shows that the share of total expenditure spent on food at the household level has steadily declined. Spending on education, health, communication, and housing has increased at the same time (CBS, 2011; NSO, 2023; World Bank, 2016), which is a significant trend for social development. Ownership of durable goods such as mobile phones, televisions, motorcycles, and other appliances has increased sharply in the latest context. It shows the signs of consumerism and dependence. Access to electricity, LPG, and the internet services has increased in Nepal at later context. These improvements have helped living conditions. But these gains are uneven across provinces, castes, and income groups. This shows that material inequalities still persist among people.

#### **4.5 Migration, Remittance and Poverty Reduction**

Labour migration and remittances continue to be the strongest part of the development of Nepal. It has a significant impact on Nepal's poverty trends. Remittances made up about 15% of household income in NLSS II and increase to nearly 28% in NLSS III (National Statistics Office, (2023). It has contributed significantly to such an increase through labour migration to Gulf countries and Malaysia. Data show that remittances remained high compared to both previous surveys in NLSS IV. However, their growth slowed because of global labour market instability. The COVID-19 pandemic further reduced opportunities and disrupted migration flows around the world. Remittances helped reduce poverty by boosting rural purchasing power significantly. It enables people to invest in housing, education, and health. It has supported reducing consumption-based

poverty. Yet they also created structural vulnerabilities and a cycle of poverty. It may create dependence on external labour markets, declining agricultural labour supply, family separation, and greater exposure to uncertain global economic shocks (Seddon *et al.*, 2002; Sharma, 2011; Lokshin & Glinskaya, 2009). So, remittances help families to improve their living conditions at one level. However, the situation also makes the overall economy vulnerable and weak in the long run because Nepal depends heavily on foreign jobs. Millions of Nepali people are out of the nation for life-sustaining opportunities.

#### **4.6 Employment Patterns and Structural Transformation**

A significant structural shift in Nepal's labour market is evident across the NLSS surveys. Agricultural employment has declined slowly. Similarly, non-farm work has increased significantly at the same time. Yet agriculture is one of the main sources of livelihood in Nepal. It now makes up a smaller share of the workforce in agriculture as many young people migrate abroad for work and study. Consequently, more agricultural work is now done by older adults and women. Many farmers still trust on traditional skills, which keeps productivity very low. Non-farm jobs have grown across the country. Service-sector employment has also expanded. These sectors consist especially of construction, transportation, retail trade, hospitality, education, and informal services. Urban areas have become key centers for these emerging opportunities. Most of the jobs created are informal, insecure, and low-wage, mainly in urban centers (Muzzini & Aparicio, 2013). Informality is still widespread, including in Nepal. Most workers sustain their livelihood with lacking contracts, social protection, and stable earnings from the informal sectors. This nature of exclusion limits social mobility and creates an unsupportive situation for long-term poverty reduction.

#### **4.7 Inequality: Uneven Trends**

Inequality trends from the NLSS data taken at different times and contexts show a mixed and uneven pattern. Consumption-based inequality, which is measured through the Gini coefficient method, has declined from 0.41 in NLSS II to 0.33 in NLSS III. It further increased to about 0.30-0.31 in NLSS IV. It indicates a modest improvement in consumption distribution. Nepal still has deep structural inequalities. Wealth gaps remain large because land ownership is unequal. Access to good education also varies widely. Differences in skills and health services add to these gaps. Digital

access is also uneven between locations and communities. These problems show that monetary inequality has only narrowed just slightly. Opportunities and capabilities are still unequal between social groups and class. These inequalities continue to shape how households consume and spend.

#### **4.8 Multidimensional Poverty**

However, NLSS was not designed under the multidimensional poverty index. NLSS IV exposes several forms of deprivation that extend and persist in society beyond income. Many rural hill households still lack safe drinking water. Improved sanitation is also limited. Learning gaps remain across regions and social groups. Health services are still weak in remote districts. Access to reliable healthcare is low in these areas. Housing quality also varies widely between communities. Energy access is also uneven. In mountain areas, many households still depend on biomass fuels. It shows that capability deprivation continues in Nepal (OPHI, 2022; NSO, 2023). These findings from the periphery or marginal sectors and groups, show limited progress in human development. Monetary poverty reduction has not brought equal improvements in other areas. Non-income poverty still limits the well-being of marginalized people.

#### **4.9 Poverty in Vulnerable Groups**

Despite national progress in poverty reduction, NLSS IV shows that several population groups still face high poverty risks. These include Dalits, Muslim households, landless families, and female-headed households. People living in mountain regions with poor infrastructure facilities and limited social services are also more vulnerable, which is not particularly addressed. People living in informal, unmanaged, and slum settlements face high poverty risks. Individuals with disabilities and elderly-only households are also very vulnerable. Families without remittance income show a greater likelihood of poverty (Acharya, 2024). These patterns highlight the need for deeper sociological research in Nepal. Research should study how caste, gender, geography, disability, land access, and secure jobs shape vulnerability and deep poverty. Evidence shows a need for targeted policies. These policies must address the structural barriers of marginalized groups.

#### **4.10 Income, Employment and Remittance Dynamics**

Income dynamics continue to shape how households move in and out of poverty. The three NLSS surveys show major changes in

household income composition, labour market participation, and the growing role of migration-based remittances. These types of shifts have shaped poverty outcomes in Nepal. It is also creating new forms of economic vulnerability and broader structural changes in Nepal's economy simultaneously.

Over the past twenty years, household income sources have become diversified. In NLSS II (2003/04), agriculture was the dominant source of livelihood. It reflects limited non-farm opportunities. Labour migration was still in its early stage. By NLSS III (2010/11), wage work, small businesses, and foreign employment had expanded greatly. It shows that the non-farm income trend increases significantly. NLSS IV (2022/23) shows more diversification in income sources. Agriculture is no longer the main source of income in Nepal. Migration has created labour shortages in farming is become serious issues for agricultural production. Low productivity and weak commercialization also make weak agricultural production. These factors have reduced the share of agriculture-based work. However, agriculture still remains essential for many jobless people. During the same period, wage employment in construction, transportation, services, and small enterprises has increased sharply. It was supported by the urbanization trend and growing local markets. Self-employment also expanded through individual initiatives. Micro-businesses such as small shops, tailoring, food vendors, and repair services provide important livelihood opportunities for women and low-income groups in the present context. Remittances remain the most important contributor to the household income of diverse Nepalese people. It significantly increased between NLSS II and NLSS III and later stabilized. Global labour markets became more uncertain during the time of NLSS IV. Now the situation has changed again, and remittance inflows have reached record levels. In fiscal year 2024/25, Nepal received NPR 1,723.27 billion in remittances. It marked the highest inflow ever recorded (Nepal Rastra Bank, 2025). This nature of changes shows a long-term shift from an agriculture-centered economy to a remittance-based economy.

#### **4.11 Employment Patterns**

Changes in employment patterns have been central to Nepal's transforming income structure, which is significant. In NLSS II, agricultural employment dominated, with more than two-thirds of

households depending on farming. By NLSS IV, this share had fallen sharply due to the cause of foreign labour migration and the increasing trend in the service sectors. The decline reflects long stagnation in agriculture, land fragmentation, and large-scale outmigration. As a result, agriculture now works more as a basic safety net than a huge support for changes. During the same period, service and non-agricultural employment expanded rapidly across NLSS III and IV. New sectors emerge as transportation and logistics, hospitality, education, health services, retail trade, construction, and real estate. This pattern shows Nepal's gradual changes toward a service economy, like the South Asian trend (ADB, 2020).

Despite this expansion of modern sectors besides agriculture, informality remains the major feature of Nepal's labour market. Most workers remain with irregular and low income in all survey years. This nature of growth without formality limits the sustainability of poverty reduction. Employment changes also show clear gendered patterns. Women have historically been concentrated in unpaid agricultural work. However, participation in small-scale self-employment increased in NLSS IV. These shifts are partly a possible cause of male outmigration. It has transformed household labour roles and expanded the burden on women (Ellis & Freeman, 2007; CBS, 2011).

Remittance dynamics in Nepal remain the most crucial factor for poverty reduction across all NLSS surveys. Remittances made up roughly 14-15% of household income in NLSS II and rose significantly to nearly 28% in NLSS III. It reflects a dramatic increase in foreign labour migration. This trend of foreign labour migration was driven by conflict-related push factors, easy mobility across the open border with India, and expanding labour markets in the Gulf and Malaysia. Stronger migrant networks were expanded at that time. Remittances played a decisive role in improving food security. It plays a positive role in raising household consumption, increasing school attendance and health service use, upgrading housing quality, financing small enterprises, and reducing high-interest borrowing from the community through the formal banking channel. These effects contributed significantly to the decline in poverty between 2003/04 and 2010/11.

However, NLSS IV shows a slowdown in remittance growth due to saturation in Gulf labour markets. Similarly, reduced demand from Malaysia was also at that time. It is rising recruitment costs

and post-COVID return migration. On the other hand, growing competition in Southeast Asian labour markets further limits available opportunities abroad. This slowdown in remittance threatens Nepal's migration-dependent poverty reduction model. It shows that the vulnerabilities of an economy like Nepal heavily depend on external labour demand.

The trends across NLSS II, III, and IV show remittance-based changes. It depends on a consumption-oriented economy supported mainly by informal services. Production sectors in Nepal are very weak. Nepal's development has been strongly shaped by mass labour migration for abroad and internal. Low agricultural productivity and the growth of low-skilled urban jobs, combined with slow formal-sector expansion, have affected the internal economy. These changes have helped reduce poverty, but only at a modest level. However, it also created new vulnerabilities under the unsustainability and inclusiveness of Nepal's economic transition.

#### **4.12 Emerging Vulnerabilities**

Nepal's inequality pattern shows uneven progress between different social groups. Some areas have improved, but others still have significant gaps. Consumption-based inequality has slowly declined over time. The Gini coefficient fell from 0.41 in NLSS II to 0.33 in NLSS III, and further to about 0.30-0.31 in NLSS IV, which shows slight changes. This decline was possible due to the impact of remittances. It increased consumption among poorer households. It also helped narrow the gap in household spending. However, data show that wealth inequality remains substantial. Land distribution is still highly unequal. Access to quality education and health services varies widely, and disparities exist in asset ownership of vehicles, computers, and internet connectivity. It points to structural inequalities that have remained for a long time that consumption measures alone do not reveal (World Bank, 2018). Nepal, therefore, shows low and declining consumption inequality. However, high and persistent structural inequality indicates deeper stratification in opportunities.

Geographic and environmental vulnerabilities add another layer to Nepal's poverty landscape, which is less noticeable to policy-makers. Mountain and hill regions continue to face severe constraints related to transport costs, weak and unsafe market access, limited employment opportunities, floods, and strong climate sensitivity

conditions. Acute vulnerability found in Karnali and Sudurpashchim Provinces. The Terai region is more economically dynamic with availability of infrastructures of development and fertile land. However, it still faces serious challenges. High population density, landlessness, and exclusion among Dalit and Muslim communities remain major problems. These conditions show how geography reinforces socio-economic marginalization. Urban poverty has become a major and growing issue in Nepal. Average poverty is lower in urban areas, but new problems are emerging. NLSS IV shows rising urban vulnerabilities. Recent sociological studies find that informal settlements have become major poverty focused area (Acharya, 2024; Lumanti, 2010). This shows a shift in Nepal's poverty pattern. Urban hardship now exists along with rural deprivation. Socially excluded groups still face high poverty risks. Dalits, Muslims, and rural hill Janajatis remain very vulnerable. Female-headed households, widows, and elderly-only households also face severe risks. Landless families and persons with disabilities experience multiple forms of poverty. Households without remittance income experience additional vulnerabilities (Bennett *et al.*, 2013; NPC, 2021). These groups face overlapping economic, social, and cultural barriers. The excluded situation limits their ability to benefit equally from development progress. It is reinforcing persistent inequality across generations.

After the 2015 earthquake and the COVID-19 pandemic, new and complex layers of vulnerability and new poverty dynamics have emerged in Nepal. Households affected by the earthquake experienced severe housing destruction. It has rising indebtedness, disrupted livelihoods, and highly uneven reconstruction. The COVID-19 crisis further intensified vulnerabilities through widespread job losses. Mass return migration after Covid-19 without adequate reintegration support, increased health expenditures, and the collapse of small and micro-enterprises. NLSS IV calculates many of these shocks and documents their effects on consumption patterns, employment, and overall household security.

These patterns show why inequality remains even when poverty declines. Structural factors like caste and discrimination and centralized state are still shape people's life chances. Market growth helps skilled workers for livelihood and urban areas more. Migration benefits families that can pay high initial costs which is unbearable. Land inequality and poor education continue across generations can

be continued vulnerabilities. State programs are often poorly targeted. Unmanaged urbanization and an informal labour market limit inclusive growth. Nepal's poverty has declined, but progress is uneven across communities and places.

#### **4.13 Structural Change and Policy Responses**

Evidence from the three NLSS surveys shows that Nepal's poverty transition is shaped by several forces. These include demographic mobility, structural economic changes, and targeted government programs. Poverty reduction in Nepal cannot be linked to any single factor. It reflects the combined influence of rising remittance-driven income and expanded social protection. It reflects on improved access to education, health services, roads, and electrification. These factors explain the significant decline in consumption-based poverty up to 2011, though with a slower improvement. Migration-led foreign employment played a particularly decisive role in reducing poverty. Remittances allowed rural households to avoid weak domestic labour markets. It directly improves their consumption, housing, and investment in education. The benefits of migration have clear limits for the development of Nepal. By NLSS IV, remittance growth had slowed due to low labour demand, COVID-19 disruptions, and increasing migration costs. Remittances have not significantly raised productivity in the agriculture or manufacturing sectors. Large-scale labour migration is growing in Nepal. It is increasing dependence on foreign labour markets instead of supporting internal structural change. Nepal has therefore shown an example where further poverty reduction cannot depend on foreign employment only.

Despite notable achievements in monetary poverty reduction in Nepal. Structural inequalities remain significantly in question for development experts and policymakers. Regional disparities persist greatly between Karnali and Sudurpashchim with Bagmati and Gandaki across most welfare indicators. Caste and ethnicity-based inequalities also continue. Dalits, Muslims, and several hill Janajati groups face high poverty risks. Wealth inequality remains significant. It consists especially of land distribution, access to quality education, and the accumulation of productive assets. Informal employment, dominant in all NLSS surveys, further restricts upward mobility for the lower-class people. Most workers lack job security, social protection, and adequate earnings, mainly in urban informal sectors.

These trends show a dual pattern in Nepal's development. Nepal has reduced poverty, but it has not achieved structural transformation. Higher household income has not created equal opportunities for all. This remains a major challenge for policymakers.

## **5. Discussion**

### **5.1 Government Policies for Social Transformation**

The Government of Nepal has tried to reduce poverty since 1956 when planned development was started. It has launched many national development plans to support social change. The Tenth Plan/PRSP (2002-2007) was especially important in setting these priorities. The latter Thirteenth and Fourteenth Plans continued this focus by emphasizing human development, rural infrastructure, and targeted welfare programs (NPC, 2003, 2013, 2016). A major achievement has been the expansion of social protection in Nepal. It now includes the old-age allowance, child grant, disability benefits, and targeted support for Dalits and single women. These programs have reduced extreme vulnerability. They have also helped households manage better with shocks (Holmes & Upadhyay, 2009; Khanal, 2018). After the political transition, federal restructuring under the 2015 Constitution changed how the state interacts with citizens. Municipalities were given more responsibility for delivering services. This shift has made local governments more central in social protection delivery.

It assigned a targeted role to the local body with the right and responsibility for delivering services and making a development plan. Decentralization has improved local accountability. However, differences in administrative capacity across municipalities have led to uneven service quality (Sijapati, 2017). Parallel progress in education and health has been seen. Expanded school enrollment, literacy gains, and strengthened primary health facilities have enhanced basic capabilities, as is a major example (CBS, 2011; Khanal *et al.*, 2023).

Government investment focused on infrastructure. Investment concentrated mainly on electrification, roads, drinking water, and communication networks has also played a transformative role. These investments have improved mobility. They have also expanded market access and strengthened service delivery. Better infrastructure allows rural households to participate more effectively in the national economy. These gains support with Sen's (1999)

argument on the importance of public services. Strong services and enhanced capabilities help expand freedoms and reduce poverty.

## **5-2 International Development Partners for Social Change**

International development partners have played a key role in Nepal's social and economic change. They have influenced major policy frameworks and development priorities. The World Bank helped Nepal adopt the Living Standards Measurement Study (LSMS) survey method. It also supported NLSS II, III, and IV, which strengthened poverty monitoring and proper policy making (Grosch & Glewwe, 2000; World Bank, 2016). World Bank programs in community development, education reform, and social protection system strengthening expanded Nepal's institutional capacity. They also helped improve the delivery of public services (World Bank, 2013, 2021).

The Asian Development Bank (ADB) has been a key investor in rural infrastructure. It focused on hydropower and urban services, improving connectivity and employment prospects as well (ADB, 2020). UNICEF has contributed significantly to the expansion of child-focused social protection. UNDP has helped Nepal adopt multidimensional poverty frameworks. It has also supported capacity building for local governance (UNDP, 2010; UNICEF, 2020). Bilateral donors like DFID/UK, USAID, JICA, and the EU support many sectors continually after 1950s. They focus on education, health, governance, disaster recovery, and gender equality. Their support has strengthened Nepal's development efforts with collaboration of government of Nepal. Many social inclusion and community-based programs have grown through these partnerships. These efforts help address structural hierarchies and vulnerabilities but results are not as satisfactory as the level of investment.

## **5-3 Transnational Labour Migration**

Foreign labour migration has been the most influential external factor in Nepal's poverty reduction since the early 2000s. Remittances contributed 14-15% of household income during NLSS II, and it rose to nearly 28% by NLSS III. It lifts millions of people out of poverty. Its supporting improvements concentrated mainly on social sectors like education, housing, and consumption (Seddon *et al.*, 2002; Lokshin *et al.*, 2007). Extensive research justified that remittances reduced poverty. It helps to narrow consumption

inequality by allowing rural households to overcome domestic labour market constraints (Sharma, 2024; Salike, 2022).

This migration-dependent path has created serious structural risks for long-term development. High recruitment fees and heavy reliance on Gulf and Malaysian labour markets add to these challenges. Major international disruptions like the mass return migration during COVID-19 exposed the instability of Nepal's recent development gains which supported by remittance (Paneru & Añazco, 2022). Acharya (2022) notes that Nepal's constitution guarantees broad social security rights mainly targeted for marginalized social groups. However, a wide gap remains between these commitments of the government. It reflects on people's everyday realities under inequality and vulnerabilities. Many citizens still do not receive the support they are entitled to in the targeted group. Marginalized groups face the greatest challenges because of low literacy, weak documentation, and uneven institutional delivery. These barriers limit their access to state benefits and deepen existing vulnerabilities. Marginalized groups are affected the most. A few underprivileged groups also lack citizenship documents, which is also a barrier to accessing targeted services. Fragmented, uneven, and weak institutional delivery further increases their vulnerability.

## **6. Conclusion**

Evidence from NLSS II, III, and IV shows moderate level progress in reducing consumption-based poverty in Nepal. Poverty fell from about 31 percent in 2003/04 to around 20 percent in 2022/23 (NSO, 2023), which is significant. Several reinforcing factors contributed to this improvement. However, improved integrity and integration between programs is needed to achieve more effective results. Rising remittances, expanding non-farm jobs, and better access to services all supported poverty reduction. Government initiatives and social protection measures also played a positive role. Remittances, in particular, raised household incomes in a substantial way. Improved access to education, health services, basic infrastructure, non-farm employment, and wider social protection programs has also strengthened overall well-being. However, the speed of poverty reduction has slowed as much as efforts. The deeper structural vulnerabilities remain largely unresolved, yet under a diverse nature of society. Geography, caste and ethnicity, and gender continue to shape unequal life opportunities. Similarly, rapid

urbanization has created new forms of insecurity in informal settlements, mainly in urban areas. The post-earthquake and COVID-19 periods further exposed the instability of Nepal's remittance-dependent welfare improvements. The poverty trajectory exposed through the NLSS data shows that Nepal's progress is significant. However, marginal groups are still excluded. It has been driven more by external labour migration. Gradual improvements in services rather than by transformative structural change are seen. It is concluded that sustaining poverty reduction will require an internally stable development strategy that strengthens domestic productive sectors. It can expand human capabilities and reduce spatial and social inequalities. It can also help build strong and inclusive institutions that are better able to respond to emerging economic and environmental shocks.

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