POVERTY IN NEPAL
A Rural-Urban Perspective of Rupandehi District

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Submitted to the Faculty of Humanities and Social Sciences of
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By
BALKRISHNA SUBEDI
TU Regd. No. 57938
Ph.D. Regd. No. 21-2055
Tribhuvan University
Kathmandu
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LETTER OF RECOMMENDATION

We certify that this dissertation entitled **"Poverty in Nepal – A Rural Urban Perspective of Rupandehi District"** was prepared by Mr. Balkrishna Subedi under our guidance. We hereby recommend this dissertation for final examinations by the Research Committee of the Faculty of Humanities and Social Sciences, Tribhuvan University, in fulfillment of the requirements for the degree of **DOCTOR OF PHILOSOPHY in ECONOMICS.**

Dissertation Committee

_____
Prof. Mahendra Singh, Ph.D.
Supervisor

_____
Prof. Sri Ram Poudyal, Ph.D.
Expert

_____
Chiranjibi Nepal, Ph.D.
Expert

Date:

APPROVAL LETTER

This dissertation entitled **Poverty in Nepal – A Rural Urban Perspective of Rupandehi District** was submitted by Mr. Balkrishna Subedi for final examination by the Research Committee of the Faculty of Humanities and Social Sciences, Tribuvan University, in fulfillment of the requirements for the Degree of **Doctor of Philosophy** in **Economics**. I hereby certify that the Research Committee of the Faculty has found this dissertation satisfactory in scope and quality and has therefore accepted it for the degree.

_____

Dr. Tarakanta Pandey

For Dean and Chairman

Research Committee

Faculty of Humanities and Social Sciences

Tribhuvan University, Nepal

Date :

DECLARATION

I hereby declare that this Ph.D. dissertation entitled **Poverty in Nepal – A Rural Urban Perspective of Rupandehi District** which I have submitted to the Office of the Dean, Faculty of Humanities and Social Sciences, Tribhuvan University is entirely my original work prepared under the supervision of my supervisor. I have made due acknowledgements to all ideas and information borrowed from different sources in the course of writing this dissertation. The results of this dissertation have not been presented or submitted anywhere else for the award of any degree or for any other purpose. No part of the contents of this dissertation has ever been published in any form before. I shall be solely responsible if any evidence is found against my declaration.

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Balkrishna Subedi

Date:

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ABSTRACT

This study intends to examine rural urban poverty. Poverty line for both the rural and urban areas is set in terms of expenditure. Annual per capita expenditure of Rs. 8990.47 per person is set for the rural and Rs. 9585.94 for urban areas for the year 2007. These poverty line expenditure figures are calculated by upgrading the Nepal Living Standard Survey (NLSS) figures by the change in consumer price index. It attempts to analyze the incidence, depth and severity of poverty in rural and urban areas. The rural area is represented by Hati Bangai Village Development Committee (VDC) and urban is represented by Siddharthanagar Municipality of Rupandehi District. Similarly, the study analyses the distribution of poor as well as total population in terms of various aspects of household characteristics. Furthermore, expenditure elasticity on food and non-food of poor and non- poor groups is estimated.

The poverty headcount rate, poverty gap and squared poverty gap are higher in rural compared to urban area. The overall poverty headcount figure in the study area is nearer to national poverty figure mentioned in NLSS 2003/04.

By caste/ethnic groups, non-dalit has lower incidence of poverty both in rural and urban areas as compared to dalit. Further, the poverty gap and squared poverty gap are higher among dalit compared to non- dalit in rural as well as urban areas.

The incidence of poverty among illiterate household heads is higher both in rural and urban areas. Similarly, poverty gap and squared poverty gap are also higher among illiterate compared to literate in rural area. Squared poverty gap is the same among literate and illiterate household heads in urban area. The incidence of poverty is inversely related with the level of the education. Household heads having education above SLC have no poverty in urban area.

Regarding poverty by occupation, higher incidence of poverty is found in those household heads whose major occupation is agriculture compared to those who are engaged in non-agriculture both in rural and urban areas. Poverty gap and squared poverty gap are also found in the same direction in rural area. Such figures are just opposite to what is found for urban area. Households engaged in agriculture and wage

earning occupations are more poverty- ridden than those engaged in business and service in both rural and urban areas. The family size and the incidence of poverty are positively co-related. The higher the family size, the higher is the incidence of poverty in both rural and urban areas. Family size having less than five members has very low incidence of poverty both in rural and urban areas although it is more than four times lower in urban compared to rural area. The poverty gap and squared poverty gap both are higher among large family size compared to small family size both in rural and urban areas. By the type of house, household heads having Pakki house have lower incidence of poverty than those having non-Pakki house both in rural and urban areas. Although poverty gap and squared poverty gap are higher among those having Pakki house compared to non-Pakki house in rural area. But in case of urban area, the figures are just opposite.

Livestock rearing is an integral part of farming in rural areas of Nepal. Although there are farmers who raise livestock even in urban area but they are very few. Among the total sampled households 25.60 percent have livestock in rural area and 13.83 percent in urban area. Regarding poverty and livestock, the incidence of poverty is higher among those households who do not have livestock in rural area. This indicates that livestock provides extra income which contributes to poverty reduction especially in rural area. But in urban area the case is just opposite.

Contrary to the widely held view, the landless have lower incidence of poverty compared to landowning households in aggregate. The disaggregated data show that large landholders have lower incidence of poverty compared to landless and small holders. This indicates that marginal land holders have higher incidence of poverty compared to landless and big holders.

The incidence of poverty of those groups who refused to respond to their loan status is higher than those taking credit and not taking credit. Between taking credit and not taking credit groups, the higher incidence of poverty is found among those who have credit both in rural and urban areas. Out of the total population, 18.35 percent people have borrowed credit and 26.46 percent have not borrowed credit in rural area. In case of urban, 21.13 percent have borrowed credit and 24.75 percent have not borrowed credit. And the remaining is counted as non-response group. By source of credit, the incidence of poverty is higher among those households who have borrowed loan from

informal sources as against those who take loan from formal institutional source in rural and urban areas.

Contrary to the theoretical conception of negative relation between land ownership and poverty, the findings of the study show higher poverty rate among those possessing land as compared to landless. This may be due to the earning wage income as labourers. Further, the Gini coefficients are almost the same for the rural area (0.36) and the urban area (0.37). Expenditure elasticity shows that expenditure on food is higher for the poor than for the non-poor.

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LIST OF ABBREVIATIONS AND ACRONYMS

APP	Agriculture Perspective plan
CBS	Central Bureau of Statistics
CBR	Crude Birth Rate
CEDA	Centre for Economic Development and Administration
CPR	Contraceptive Prevalence Rate
DDC	District Development Committee
DHS	Demographic Health Survey
DOE	Department of Economics
FAO	Food and Agricultural Organization
GDP	Gross Domestic Product
Ha	Hectare
HDI	Human Development Index
HDR	Human Development Report
HMG/N	His Majesty's Government of Nepal
HPI	Human Poverty Index
ILO	International Labor Organization
MLD	Ministry of Local Development
MOF	Ministry of Finance
MPI	Multidimensional Poverty Index
NEFAS	Nepal Foundation for Advanced Studies
NLSS	Nepal Living Standard Survey

Np	Nagarpalika
PRSP	Poverty Reduction Strategy Paper
RUPP	Rural Urban Partnership Programme
SCOC	Siddharthanagar Chamber of Commerce
SIOSM	Statistical Information of Siddharthanagar Municipality
SLC	School Leaving Certificate
TFR	Total Fertility Rate
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
VDC	Village Development Committee
WHO	World Health Organization
WTO	World Trade Organization

CHAPTER I

INTRODUCTION

1.1   Background

Nepal, with an area of 147,181 sq.km, is a land of geographical diversity. Nepal has a diverse topography and climate. The altitude ranges from 70 meters to 8848 meters, and the climate varies from tundra to polar. The country stretches from east to west with the mean length of 885 km., and widens from north to south with the mean breadth of 193 km. (CBS, 2008 : 2).

Beltwise, the country is divided into three regions – Terai, Hill and Mountain. Each region has a long narrow piece of land stretching from east to west that manifests a diversity of geographical features and an immense diversity of climatic condition, human settlement patterns, size of population, land distribution, productive resources, levels of economic and infrastructure development.

The Terai region has the highest density of population but a relatively lower pressure on farm land, as well as fertile soil and relatively advanced infrastructure development. The Hill region has a relatively lower density of population and a rapidly increasing population pressure on agricultural land. The Mountain region has the lowest density of population, but a relatively high population pressure on farm land, as well as difficult terrain, less fertile soil and less infrastructure development.

For the purpose of regional planning the country has been divided into five north-south development regions: Eastern, Central, Western, Mid-western and Far-western Development Regions. The magnitude and depth of poverty varies across the regions. According to the Preliminary Results of National Population Census 2011, the total population of the country is 26,620,809 and the annual growth rate is 1.40 percent (CBS, 2011). The initial estimate is that Nepal's growth rate in the current fiscal year will be limited to 3.5 percent in comparison to 4.5 percent GDP growth achieved in FY 2009/10 (MOF, 2011: XII). The economic growth of the country measured by GDP is 5.56 percent in 2007/08. Nearly, one third of the population (30.85 percent) lives below poverty line as per the Nepal Living Standard Survey 2003/04 and the

Gini Coefficient, which indicates inequality between the poor and rich, is 41.4 (CBS, 2008 : 2).

Nepal is a developing country, which mainly depends on the agriculture sector. The share of agriculture in GDP has been declining, and now the contribution of agriculture and forest sector is estimated to be 33.00 percent (MoF, 2010). However, a large majority of the population depends on agriculture for livelihood. Land is the major productive asset and a traditional source of power. Unequal distribution of landholding, excessive dependency on agriculture, and low productivity of land all combine together to produce and reproduce poverty.

According to NLSS, 2011, 77.30 percent of the total households are engaged in agriculture (CBS, 2011). Despite this high concentration of people in agriculture, its contribution to GDP is 33 percent. This means that labour productivity in agriculture is very low. This may be due to uneconomic size of land holding, fragmentation of landholdings, unscientific land tenure system characterized by (high rent, and insecurity of tenure) lack of adequate credit facilities, indebtedness, absence of adequate irrigation facilities, dependence on monsoon, use of traditional methods of production and excessive pressure of population on land.

Poverty reduction has been given high priority in Nepal's development plans particularly from the Eighth Plan. The Tenth Plan (2002-2007) was designated as the Poverty Reduction Strategy Paper (PRSP).

Nepal has committed to Millennium Development Goals, which were adopted by 191 nations in September 2000. The goals and targets to be achieved by 2015 are reduction of poverty by half, achievement of universal primary education, promotion of gender equality and women empowerment, reduction of child mortality and improvement in maternal health, combating diseases like HIV/AIDS, malaria and others. The quantitative targets are to halve the proportion of people whose income is less than one dollar a day, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling, eliminate gender disparity in primary and secondary levels of education, reduce by two-thirds, the under-5 mortality rate, reduce by two-thirds, the maternal mortality rate, and halt HIV/AIDS (UNCT/N, 2002:7-39).

Nepal has also been giving special attention to poverty reduction since its Eighth Plan which was the first plan after the reinstatement of multiparty democracy in 1991. The subsequent plans also accorded high emphasis on poverty reduction.

1.2   Statement of the Problem

In the 1950s, in most underdeveloped countries, poverty was equated with underdevelopment (SAARC, 2003), and the notion was that growth would take care of poverty through the trickle down effects but this was proved to be a false notion and the need for introducing targeted programmes was emphasized.

A significant proportion of the population in most of the countries of South Asia has been pushed into poverty situation as a negative side effect of the development process. Similarly, people are bound to remain below poverty line in this region because of rapid globalization. Globalization has been associated with rising inequality, and the poor are not benefited from trade. The poor countries like Nepal with an abundance of unskilled labour do not always gain form trade reform. Trade has benefited to those who can sell and purchase goods in the global market.

As mentioned in the poverty profile of SAARC 2003, poverty is widespread in the region, while in Bangladesh, nearly half of the population lived below the poverty line during the year 2000, in the rest of SAARC countries the proportion of the population below poverty line ranged between 26 to 36 percent with the exception of the Maldives. In the Maldives, the population below poverty line was only 13 percent at that time. Over the years in SAARC countries; there has been a visible decline in the proportion of population below the poverty line. The only exception is Pakistan where the total as well as rural and urban population below the poverty line has increased since 1990. Similarly, both depth and severity of poverty show a decline except in Pakistan during 1990 to 2000 (SAARC, 2003:24).

It is widely accepted that poverty in the developing countries is predominantly a rural phenomenon. Nepal is no exception to this. Due to the lack of alternative sources of livelihood, almost the entire population of the rural areas is engaged in agriculture with very low labour productivity. Even though percentage of agricultural households has decreased from 80 percent in 1995/96 to 73.9 percent now. There has been

increase in average size of holdings of less than 0.5 hectare land and rented land has only increased marginally during the same period (NLSS, 2004 : XIX).

One of the factors causing poverty in Nepal is lack of education and training. In 2003/04, households with illiterate heads had 42.00 percent poverty rate which is the highest rate among all education groups whereas 1.60 percent of the household's heads had 11 years of schooling (CBS, 2005: 16).

Age-old inequality and discriminatory practices against certain groups (such as, the so called dalits) and disadvantaged ethnic communities are vulnerable to poverty. Results of the NLSS II show that the level of poverty is higher among dalits, hill-ethnic groups and religious minorities such as the Muslims. Without targeted interventions these groups may remain outside the development mainstream (SAARC, 2005 : 53).

The agrarian society of Nepal is characterized by inequality in the distribution of cultivated land. The problem is more serious in the Terai region. The concentration of land owned by few families mainly in the Terai has created inequality in ownership of the principal productive asset which ultimately creates inequality in income distribution. There are 0.287 million families who are particularly landless or have less than 0.1 ha of land. This is about 8 percent of the farm families. There are 2.5 million farm families owning less than 1 ha of land. Regarding women, they control only 8.07 percent of the landholding in the country (Adhikari, 2008).

The landless and marginal farmers very often obtain access to land through tenancy and share cropping arrangements. This kind of property relation offers no incentive to the increment of agriculture production. Slow growth of agricultural production and rapid population growth, have reversed Nepal's position from a food surplus country to a food deficit country. People in the hills and mountains have the least access to the food surplus of the Terai on account of lack of sufficient inter-regional transportation and lack of purchasing power.

Nepal has a dualistic nature of economy with a few modern urban and more backward areas. According to the census report of 2001, the share of urban population is 14.20 percent while the remaining 85.80 percent is rural population. The rural economy is

virtually a subsistence economy. There is vast imbalance in the facility of financial resource and physical development between rural and urban areas. Limited urban areas are more developed while most part of the country i.e., rural areas are underdeveloped. More people, especially in rural areas, do not have opportunities for employment and better education. Even getting basic education is difficult for the people of remote and backward rural areas. This is the reason why rural poverty is deeper than urban poverty.

The gap between urban and rural areas is still wide in Nepal. According to Nepal Living Standard Survey (NLSS, 2003/04), during 1995/96 and 2003/04, urban poverty decreased by 12 percent, whereas rural poverty declined only by 8.65 percent. Major reasons for the reduction of poverty are income from remittance, fast growing urbanization, increase in average wage in the agriculture sector, and increase in the number of economically active population. However, the income gap in this period has widened between the rich and the poor. According to Gini coefficient, the indicator for income inequality, which was 0.34 in 1992/93 reached 0.41 in 2003/04 suggesting that income level of the rich has grown faster than that of the poor (MoF, 2009 : 79).

Even though the problem of poverty is more visible in rural areas, the urban areas are also poverty ridden. This study attempts to find out the incidence, depth and severity of poverty in rural and urban areas. Defining and analyzing poverty can be complex as it has many dimensions. For this reason most of the poverty studies target only a particular aspect. And one of the central problems of rural-urban poverty analyses is the lack of available disaggregated data due to lack of the study of poverty in urban areas.

1.3   Objectives

The general objective of the research study is to analyze poverty situation in the rural and urban areas of the Rupendehi district of Nepal. The specific objectives of this study are:

(i)   To estimate the head count ratio, the poverty gap and squared poverty gap for the rural and the urban areas,

(ii)   To analyze the relationship between poverty and various socio-

economic variables,

(iii)   To measure the inequality and the distribution of income between rural and urban areas, and

(iv)   To estimate the expenditure elasticity of the poor and non-poor.

1.4   Rationale

Estimates of poverty incidence for the country as a whole throw light on the overall magnitude of the poverty problem which is useful for broad policy making purposes at macro level and comparison with other countries. Since poverty is not spread equally among geographical regions and sectors, information on geographical and sectoral spread of poor is necessary for micro level policy formulation. Policy package aimed at poverty reduction for a rural area would be different from that for an urban area. Hence area specific studies are needed in order to design effective poverty reduction measures fitting with the socio-economic imperatives of the concerned area.

1.5   Importance of the Study

Rural development through urban-rural linkage has recently become a focus of renewed interest among policy makers and researchers. It is argued that the premises of rural-urban development in developing countries lie in mutually supportive rural-urban linkage. Yet the knowledge of nature and problem of rural urban linkage is very limited. Poverty in rural as well as urban areas is one of the problems. In this context, many research studies have been concentrated on rural poverty of Nepal. But this study has included the poverty scenario of both rural and urban areas. It has made its dimension broader. Yet it is a micro level study.

In view of the dualistic nature of the Nepalese economy, the study of rural and urban poverty will be more relevant in comparison with the study of only rural or urban poverty. Furthermore, this study provides a new direction to the periodic plan of the country. Valuable insights can be found from this study for policy and plan formulation for the development of both rural and urban areas. The available data about the poverty pictures will be helpful to know the living standards of the people of the concerned regions of the urban and rural areas. It may be fruitful revitalizing

thoughts in seeking policies and strategies for the balanced development of rural and urban areas.

This study will be helpful to the government of Nepal and other non-government organizations to monitor in improving level of poverty and to evaluate the effect of government policies and programmes regarding living standards of people of concerned areas. Similarly, students and readers interested to know the poverty figures of related areas will find it a useful material. The study provides some background and guidance to those interested in such research work. Furthermore, the study will provide some input to policy makers and planners to related fields. This research will be useful to employ a similar kind of comparative research in other areas of the country.

1.6   Research Hypotheses

The propositions, which the researcher intends to test empirically, are called hypotheses. Setting of hypotheses in accordance with the objectives helps the researcher go ahead with the investigation of his/her problem with regard to types of data to be collected and methods to be used for analysis. Furthermore, hypotheses help to know what facts to look for and what relation to examine or order to fulfill the objectives of the study. The hypotheses guide the researcher through the judge of facts to see and select only those that are relevant to the problem or difficulty s/he proposes to solve. In consonance with the second objective of the study, various research hypotheses are formulated in order to examine the relationship between poverty and various socio-economic variables such as place of residence, occupation, caste, gender and land ownership. These hypotheses are tested using Chi-square tests.

   (i)   There is no association between poverty status by residence.
   (ii)   There is no association between caste ethnicity of household heads and poverty status.
   (iii)   There is no association between gender of household heads and poverty status.
   (iv)   There is no association between occupation of household heads and poverty status.
   (v)   There is no association between ownership of house and poverty status.

1.7   Limitations of the Study

It is a micro level study based on sample survey. Even though all the wards of the selected VDC and the Municipality were covered, only the selected households comprise the sample. Communication with the respondents was a problem due to language and the researcher had to rely on local educated youths for household interviews.

The field work of the study was carried out during the period between November 2006 to February 2007. However, during the data editing process some gaps were found in the collected information and this required follow up visit of the survey areas and revisit of the households in which data gaps were found. This required additional time. Similarly, data processing also took a longer than expected time because of inconsistencies in the results.

All these factors delayed analysis of data and report writing causing a gap of about 4 years between data collection and submission of dissertation. However, this has not affected the findings of the study because the socio–economic structure of both the sampled rural and urban areas can be assumed to have not undergone any significant change in a period of 4 years. Moreover, the population data of 2001 Census is still valid as the final results of 2011 Census have not yet been published.

1.8   Organization of the Study

This dissertation is divided into eight chapters including the present chapter which deals with research problem, importance, objectives, hypotheses and limitations of the study. Chapter two presents poverty in the context of developing countries. Chapter three presents review of literature. Chapter four is on methodology which includes sources of data, sample frame and allocation, sampling technique, survey tools and secondary source, etc. Chapter five is devoted to analyzing rural urban nexus. Chapter six covers introduction to the study areas. Chapter seven presents the result and analysis. The last chapter presents summary and conclusions.

CHAPTER II
POVERTY IN THE CONTEXT OF DEVELOPING COUNTRIES

2.1   Introduction

The literature on poverty in developing countries has often taken a narrow definition of "economic welfare" to refer to a person's consumption of goods and services. "Reasonable minimum" is defined by pre-determined "basic consumption needs" especially nutrition. Both these steps are controversial. However it is not controversial that inadequate command over commodities is the most important dimension of poverty, and a key determinants of other aspects of welfare, such as health, longevity, and selt-esteem (Lipton and Revellion, 1993:1). It is accepted that poverty in developing countries is predominantly a rural phenomenon. According to Ghai et al. "the problem of mass poverty in the third world is primarily one of the rural poverty: the majority of the population lives in the rural areas where average incomes are much lower than in urban areas and the incidence of poverty is much higher" (quoted in Gewali, 1994:42).

The low level of income of the rural people in the developing world which manifests in terms of their inability to fulfill the minimum consumption is conceptualized as a state of impoverishment by various thinkers and the international organizations involved in this field (Gewali, 1994:44). Ghose and Griffin (1980) have defined poverty as one of the most disconcerting aspects of economic growth in the non-socialist developing countries of South and Southeast Asia is the fact that the problem of rural poverty has remained as acute as ever. And poverty in these countries means hunger and malnutrition, in addition to inadequate clothing and housing, lack of literacy, little or no access to elementary medical care, etc. Indeed it appears that economic growth in these countries, which has been considerable by some standards, has not only bypassed the rural poor, it has often extracted a sacrifice from them even though they are the ones who can least afford it. The available empirical evidence, which we shall examine shortly, suggests that in most of the non-socialist developing countries of Asia the rural poor have tended to become poorer, and in some cases even the relative size of class of rural poor has tended to increase.

Poverty, mainly concentrated in the rural and backward areas of the developing countries is one of the causes of lack of cultivated land for agriculture. Land which is the major productive asset in agrarian economies is the main source of livelihood for majority of rural people and it provides a large share of their income and employment. There is a direct impact on the level of living by the shortage of land in such areas. Sanyal (1988) observed among the selected states of India that the incidence of poverty was higher in those states where inequality in distribution of agricultural land was wider (quoted in Gewali, 1994:45). There are also arguments for the cause of poverty as linked with development strategies. Saith (1990), argues that with few exceptions, the process of economic growth in the developing economies in the post war period has been characterized by persistence, and more recently probably intensification of rural poverty. The primacy accorded universally to accelerate industrialization in third world development strategies cast the rural sector functionally in a resource providing supportive role. However, for most developing economies, industrialization has been unable to generate any significant Lewisian trickledown flows. Indeed the relative failure of industrialization in Africa has created structural conditions and fresh accumulating debt burdens which have generally prevented the retention and productive utilization of the agricultural surplus within the rural sector.

Nevertheless, there is now wider recognition that if governance and institutional frameworks are strengthened, the linkage between the infrastructure and poverty reduction can become stronger (ADB, 2003).

Poverty of the developing countries is complex and multi-dimensional in nature. Poverty is measured mainly on the basis of income and consumption expenditure. It is determined by setting a "poverty-line" on the basis of minimum income required to purchase the predetermined subsistence calorie. Considering the lack of uniformity in the methodology adopted to determine the poverty line, it is necessary to be cautious in comparing poverty levels across countries and between different estimates within the same country.

Regarding the extent and magnitude of absolute poverty in the developing countries, the World Bank in its 1990 World Development Report attempted to estimate the poverty of the developing countries. To permit cross-country comparisons and

aggregation, it established two global poverty lines for 1985. Any household with an income in 1985 purchasing power parity dollars below $275 was categorized as "extremely poor" and those below $370 were classified as "poor". There has been some progress in poverty reduction from 28.30 percent in 1987, to 24.00 percent by 1998. This was an impressive achievement because the world's population had increased by about one billion people, from just over a 5 billion to just under 6 billion. Virtually most of that increase occurred in the developing world, much of that in the low- income countries, where the population is concentrated and hence poverty is also high in these countries. Although the head count poverty in South Asia declined from 44.90 percent to 40.00 percent, population continued to increase at a rapid pace resulting in an increase in the absolute poor from 474.4 million to 522.0 million meaning that poorer people live in South Asia than anywhere in the world (Todaro and Smith, 2009).

2.2   Poverty Profile in Nepal

Incidence of poverty has substantially reduced in Nepal during 1995/96-2003/04. Despite this reduction, poverty incidence is still high. The subsequent Nepal Living Standard Survey shows the trend in the reduction of poverty. According to the figures of the NLSS 1996 the estimation of annual per capita consumption of Rs. 4404.00 is required to meet the expenses on daily minimum average of 2124 calories for food and non-food requirements. The expenditure at the price level of 2001 turned out to be Rs. 6100.00, and accordingly, 42.00 percent of the people were estimated to be living below the poverty line in Nepal. But according to the NLSS 1996, 44.00 percent of the rural population was estimated to be living below the poverty line whereas this figure was 23.00 for urban areas. In the case of Kathmandu only 4.00 percent of the population was below the poverty level. Level of poverty was 53.00 percent in the Terai districts of Far-western development region whereas it was up to as high as 56.00 percent in the hilly district of Mid-western development region. Poverty level was as high as 72.00 percent in the district of the hills and high hill areas of the Far-western development region. The overall estimation of NLSS on the incidence of poverty is 40.00 percent, the depth inequality ratio is 12.10 percent and the severity is 5.00 percent (MoF, 2004 : 100-101).

Remittance plays an important role in the reduction of poverty. According to the report of Central Bureau of Statistics 'Poverty Trends in Nepal (1995-1996 and 2003-2004)', poverty has dramatically declined between 1995-1996 and 2003-2004 from 42.00 percent to 31.00 percent. The decline is by about 11.00 percentage (CBS, 2005:2).

Analysis of the dynamics of comparison of NLSS I and II shows that the decline in poverty is higher in the urban areas than in rural areas; poverty declined in the entire region except in the rural Eastern Hills, and inequality increased at the upper end of the income distribution. Yet the decline in poverty in the Mid and Far-Western Hills and Mountains was not enough to bring it at equality with the national average. However, the level of the poverty in this region is higher than the rest. Besides, comparative analysis shows improvement in the access to basic social and infrastructural services.

Detailed analysis of the factors behind the decline in the level of poverty between the two survey periods shows such factors as in migration and remittance; and shift towards commercial farming of cultivation of off-season vegetables, horticulture and dairy products, poultry and other animal's products as the main contributatory factor. Table 2.1 presents the poverty status in 1995/96 and 2003/04.

Table 2.1

Poverty Measurement, 1995/96 and 2003/04

	Head count rate (P0)			Poverty gap (P1)			Squared poverty gap (P2)		
	1995/ 96	2003/ 04	Change %	1995/ 96	2003/ 04	Change %	1995/ 96	2003/ 04	Change %
Nepal	41.76	30.85	-26	11.75	7.55	-36	4.67	2.7	-42
Urban	21.55	9.55	-56	6.54	2.18	-67	2.65	0.71	-73
Rural	43.27	34.62	-20	12.14	8.5	-30	4.83	3.05	-37

Source: Poverty Trends in Nepal between 1995/96 and 2003/04, CBS.

Access to rural credit through rural credit intuitions, technical support and social mobilization campaigns have also contributed to reduce poverty.

2.3 Dimensions of Poverty in Nepal

Poverty in Nepal is pervasive, largely chronic and reflected in all dimensions of economic, social and political sectors and it has a strong correlation with socio-economic variables such as caste, occupation, sector of employment, level of education, composition of income, family size and political approach. The different dimensions of poverty in Nepal are given below.

2.3.1 Economic Dimension

Land is considered as the major productive asset and an important indicator of social status particularly in the rural areas. Poverty is closely linked to the unequal distribution of landholding and low productivity of land. Land distribution in Nepal is highly skewed in favor of big holders. There is disparity in the size of holdings. Almost 92.00 percent of the holdings share 69.00 percent of the land. These are holdings of sizes of less than 2 hectares. In contrast, only 0.75 percent of the total holders owned 7.31 percent of total area, which is approximately 194 thousand hectares, an average holding size of 7.64 hectares. These are the holdings with at least 5 hectares in size. Most of the holders in Nepal are below subsistence level (CBS, 2001/02 : 4).

An important feature of land ownership is that about 92.00 percent of holdings were held by the males (in 2001). The average size of land holding of males was 0.81 ha as against 0.53 ha held by the females with the average holding size of 0.80 ha. Similarly, land ownership by female is reported only by 14.00 percent of landowning households, and in all other household all land is owned by males only (Sharma and Thakurathi, 2004).

Nepal has a large number of small farmers. The concentration index for the total land operated was 0.543. The bottom forty percent agricultural households operated only nine percent of total agricultural land area and the top six percent of agricultural household, on the other hand, occupy more than 33.00 percent of total land (NLSS, 1996 : 24). Such pattern of unequal distribution of land helps to reduce productivity. More land is either underutilized or unutilized.

Agricultural productivity per hectare is very low. The average land productivity by poor and non-poor groups of households and farm category show that Rs.8014 for poor and Rs.15786 for non-poor in terms of small holder as against Rs.4824 for poor and Rs. 10654 for non-poor regarding medium large holders in case of Terai (UNDP, 2004). The reasons for the low yield are uneconomic size of the holding, fragmentation of land holding, defective land tenure, lack of adequate credit facilities, indebtedness, absence of irrigation facilities and dependence on rainfall, use of obsolete methods of production, and excessive population pressure on land.

Due to lack of capital and technical manpower, the existing natural resources of Nepal are either unutilized or underutilized. Land, forest and water resources are not properly utilized due to lack of capital and technical manpower. Similarly, there is virtually no exploration of mineral resources.

The policies and programmes have not been implemented effectively to alleviate poverty. Nepal started its economic planning in 1956. However, poverty has still remained a persistent problem in the country.

The growing unemployment rate of 2.1 percent (MoF, 2011:104) has been a serious problem in Nepal. Owing to increase in the problem of unemployment of adult workers in the formal sectors, large numbers of families are forced to send their children to work in the informal sector. Child workers are extremely poorly paid even though their wages are a significant contribution to the family income. Apart from low wages and long working hours, children also face relatively greater work hazards due to the absence of safety measures in the work place.

Food deficiency makes the life insecure to the people. Food deficiency is becoming more and more acute along the poor people. The extend of deficit was greatest in the mountains, with 70 percent of districts having a deficit of more than 40 percent (FAO, 2003). Small size of land holdings, low opportunity for wage earning and low wage rates, low level of income, ethnic and other social discriminations are the major causes of food insecurity and poverty in Nepal.

Likewise, low level of education and even lack of education, low level of skill and excessive dependency on agriculture sector, and growing inflation also contribute to food insecurity at the individual level. Sickness in the family, major rituals such as

those related to birth, marriage and death, payments of debts, sudden loss of agricultural land due to flood, landslides and loss of employment are also the direct and indirect causes of food insecurity.

Food insecurity in some areas of the hilly region and almost the entire mountain region is also caused by the lack of transportation services. Marketing channels are mostly non -existent in these regions due to lack of transport facilities. Food prices in these regions are much higher compared to those of other regions. Conditions of famine are regularly reported in the North West Karnali region.

Poverty and food security are close by interlinked as the lack of adequate income is a major cause of food insecurity. The existing government policy on poverty alleviation, therefore, also has close links with the food security situation. Those links should be adjusted and built upon in order to design a food security policy. The major challenges lie in making additional agricultural land and other productive resources available to the poor. This can be done by increasing productivity, expanding the scale of wage labour and recognizing food security as principal policy agenda and land reform on the side of government, the communities and the civil society.

Subsidies on food and agricultural inputs have largely been withdrawn. While targeted food subsidies were continued for some years, their withdrawal has not been compensated through other measures. This has aggravated the problem of poverty.

Similarly, reduction of under-nutrition among children has remained largely limited to the provision of micronutrients. The provision of mid-day meals in a small number of schools remains an ad hoc programme without any linkage to a broader policy on food security and provision of adequate nutrition to the children.

The rural poor having some land produce subsistence farming. They are not attracted to high value crops like cardamom, ginger, turmeric, and vegetable seeds owing to the lack of knowledge and supports services. Whatever surplus they have in crop production sell at harvest time to repay back the loan or meet other requirements. Such sales fetch very low prices since many other farmers also sell the same. The farmers' dilemma is that they are forced to sell the grain immediately after harvest at low price and buy the same at the year end at a high price.

The Agricultural Inputs Company Limited has consistently failed to provide adequate supplies of fertilizer to farmers on a timely basis. Similarly, the agricultural research and extension programmes have so far failed to reach the large majority of farmers, and high cost of borrowing from financial institutions have been among the other important factors affecting the non-agricultural sector.

Industries play an important role. Nepal has low development in the establishment of medium and large scale industries. Even small scale industries are not well developed due to the lack of raw materials and insufficient financial resources. And they are facing market competition due to the liberal policy adopted by the government. This is the reason why more people are concentrated in agriculture sector which is less productive. Even the agricultural sector has not been modernized. Irrigation facilities are provided in a very limited area. Water resource is underutilized due to lack of proper capital and technical manpower. A major problem of agriculture is inadequate provision of irrigation, the most important input for increasing agricultural productivity and production.

The irrigation facilities do not reach the poor people. Overall, around two-fifths of all land holdings did not have excess to irrigated land (UNDP, 2004a). Most of the dalit and minority live in the remote Hills and Mountains which lie in the upper reaches of the rivers and streams and hence are left out from the areas to be benefited from the irrigation projects. Forty seven percent of land owning households own only 15.00 percent of the total agricultural land with an average size of less than 0.5 ha. while the top 5.00 percent occupy more than 37.00 percent of land. Inequality in land distribution as measured by Gini coefficient was 0.544 in 2001. Most dalit are landless (Adhikari, 2008).

According to NLSS report 1996, nearly 40.00 percent of agricultural land was irrigated. Amongst development regions, eastern region recorded the highest proportion of irrigated land in the total operated land. The western development region ranked second in the proportion of land irrigated. Amongst the geographical regions, the proportion of irrigated area varied from 27.00 percent in the mountains to the high of 47.00 percent in the Terai. In rural areas, western Terai contained highest proportion of agricultural land irrigated (NLSS, 1996:26-27). The transport sector plays a vital role for the overall development of the country and for the reduction of

poverty. All the districts of the country are not linked by the road facilities. Construction of roads continued in fiscal year 2009/10, with a target of linking four districts headquarters such as Solukhumbu, Manang, Mugu and Bajura to the road network (MoF, 2010:163). Men and animals are the means of transportation in almost all the remote and backward areas. This has hindered the overall economic development of the country although priority is being accorded for the development and expansion of this sector.

Lack of adequate employment opportunities for the existing labor force on the one hand, and addition of 4,00,000 labor force in the market annually (MoF, 2011: 104), on the other indicate growing unemployment and worsening of the people's living standard.

2.3.2 Social Dimension

Socio-cultural empowerment is the process through which people and groups become aware of the interplay of the societal and cultural forces at work in their lives and learn how to influence their dynamics- particularly those of deep-rooted social inequality and exclusion (UNDP, 2004).

Poverty in Nepal is unevenly distributed with regard to social class, ethnic groups and gender. Socially advantaged groups like Brahmins, Chhetries and Newars have better access to resources as against other class groups. As a result, dalit groups often happen to be poor in several cases (Shrestha, 1998).

The gender dimension of poverty is also distinct feature. Women in Nepal have higher work loads as compared to men, and they are paid lower even for similar work as that of men. They have less control over resources both at the household and community levels. Among poor groups, women become the first victims of deprivation.

Gender issues are interwoven systematically into the basic social structure of Nepalese society as are other traditional cultural values. Such cultural values dominate the poor and disadvantaged groups throughout the country.

The norm of early marriage not only directly hinders the levels of education of the girls but also indirectly depresses the will to educate them. The additional encouragement and incentives are not sufficient to the parents of the girl children to enroll them in school. The wider culture of negative attitude gendered practice and

consciousness is high in Nepal, and the government initiatives to counter such practices and consciousness have also remained weak. Incentives to promote girls' education, such as the system of scholarship for girls to enroll and complete school education have remained weak. Proper additional financial assistance to encourage the accesses of girl children to primary and lower secondary education is not well managed. Due to lack of proper education, women have a low status in Nepalese society and they have very low participation in the socio-economic and decision making sector.

Girls are not getting educational facilities compared to boys due to household workload and low preference to the female child. As reported in the summary statistics of NLSS 2003/04 vol. one, the adult literacy rate (15 years and above) of male is 64.50 while such figure for female is 33.80 percent. It indicates the adult literacy rate of male is about double to that of female. If we study the net enrollment at different levels of school education, net enrollment at primary school of males is 77.90 percent and such figure for females is 66.90 percent. Similarly, the figure related to lower secondary, it is 31.10 percent for male and 26.40 percent for female. And the remaining net enrollment at secondary level of male is 16.80 percent and for the female it is 13.40 percent (NLSS 2003/04: 60). All the above figures indicate that girls are not getting equal opportunity compared to boys in education.

Social exclusion: A significant proportion of the population is excluded from full participation in the development process of the countries. These are the landless agricultural labors and rural artisans in general, and, in particular, the dalits and minority groups who constitute the hard core of the poor. Poverty headcount rates vary widely across castes from low of 14.00 percent among Newars and 18.00 percent among high castes Brahmins/Chettris to a high of 44.00 percent among Hill Janajatis and 46.00 percent among dalits (WB, DFID, ADB and CBS, 2006). Only recently government and non-government organizations have started to give priority to social inclusion in the poverty reduction programs launched by them.

Social security: State security system is virtually non existent in the country except for government employees. The government employees are entitled to pension after retirement and also benefit during temporary incapacity to work (accident, illness, and child birth). The pension provision and other benefits are tied to the status of the

employees and reproduce the inequalities pattern generated by the salary structure. A large majority of persons working in the unorganized sector are in a highly vulnerable situation because of job insecurity, seasonality in job availability and lack of social security provision during temporally in incapacity to work and inability to work due to age factor.

No system of unemployment benefit: There have been implemented some social welfare programmes to insure rights, benefits and welfare of women, children, senior citizens and the disabled. However, there is no provision of the system of unemployment benefit in the country.

2.3.3   Political Dimension

Political instability and exclusionary process of development have been the major factors leading to poverty. Women who constitute more than half of the population, as well as dalits, janajatis, disabled and ethnic groups have hardly had a proportionate voice in the development plans and policies. Those who live in geographically vulnerable areas have hardly heard about national development schemes, let alone their participation in the plans and policies and share the development outcomes. Despite their substantial contribution both as labor and helper to the production sector, their role in development process, plans and policies are often undermined. Absence of this force from development activities further contributes to poverty (GCAP Nepal, 2005:IX).

Poverty reduction has been given emphasis on regular plan in Nepal since 1980s. The seventh plan was the first attempt to integrate long term poverty reduction in the planning process. Poverty reduction was also one of the three principal objectives of the Eighth Plan, and similarly, in the Ninth plan, poverty alleviation was the only objective and the Tenth Plan / PRSP (2002-2007) states poverty reduction as its sole objective and poverty reduction was taken as a first priority and formally all policies were to be directed towards achieving this objective. It was accepted that only broad based growth can reduce poverty. Further, specific interventions were designed to help women and dalit benefit from growth. Furthermore Poverty Alleviation Fund (PAF) was established in 2004 as special and targeted programmes to bring the excluded communities in the main stream of development, by involving the poor and

disadvantage groups themselves in the driving seat of such development efforts (ISACPA, 2007:20).

Political parties give more emphasis to poverty reduction through their manifestos at the time of an election. When they reach to the power their written commitment remains only in the form of crude slogan. Instead, they improve their own economic status and that of their relatives.

Political instability is also equally responsible for the high level of poverty. For long, any of the governments has not completed its term. Policies and programs changed with a change in government. So, political instability has a direct negative impact on the reduction of poverty at large.

CHAPTER III
LITERATURE REVIEW

3.1 Concepts of Poverty

In most of the studies of economic dimension of poverty (WHO, 1985; Osmani, 1987; Payne and Lipton, 1993) one of the first and basic tools to know the level of poverty is the setting of a poverty line on the basis of energy requirement. The poverty line has a direct relation in that it indicates the standard of living under which persons are considered as poor and above which they are not. Such a line has the ability to distinguish poor from the non-poor. The level and structure of consumption determine the extent of welfare. So, poverty measures are ultimately related to ability to consume.

On the other hand, poverty can be measured from information on family income. This approach to poverty at best explains the relative position of an individual or a family on a scale of income distribution and thus it gets related to relative deprivation. But this measure does not take care of nutritional requirement necessary for subsistence and therefore, in order to comprehend the minimum biological needs, it is absolute necessary to devise some scientific measures of absolutely deprivation. Orshansky (1995) has noted that 'there is no generally acceptable standard of adequacy for essentials of living except food'.

Here, the focus remains on the economic dimension of poverty regarding consumption of food and non–food items. Poverty is also defined as the inability to consume a minimum amount of food and non-food items. This notion of poverty represents only one of the many dimensions of poverty. However, it is one of the most important indicators to measure poverty. Income is also an important indicator of poverty, but it is not considered a reliable indicator. It is not as reliable as that of the consumption since income changes due to the fluctuation in an economy. Further, an agricultural economy like Nepal agriculture production depends on weather condition. It can also be said that better the weather far better the production and the vice-versa.

Even in the time of zero income, people spend out of their past savings or from borrowing on consumption since food is compulsory for living. So, the consumption is considered more reliable source of measurement of living standard than income. However, consumption depends on income. The level of consumption increases with the increase in income if other things remain the same.

A popular and practical method of setting poverty line proceeds by finding the consumption expenditure and or income level at which food energy intake is just sufficient to meet the requirements of pre-determined food energy. Requirements differ across individual and over time even for a given individual. So, setting for food energy requirement can be a difficult task. A caverns practice is simply to calculate the main income or expenditure of a sub-sample of households whose estimated caloric intakes are approximately equals to the stimulated requirement. More sophisticated versions of the method use regression of the empirical relationship between food energy intakes and consumption expenditure (Ravallion, 1998).

There is no generally accepted hard and fast definition of the concept of poverty which would be appropriate at all times and in all countries. There is no unanimity on its definition. People regarded poor in a given country at a particular period of time may be considered rich in another country.

Poverty was well described by B.Seepohm Rowntree, an English Sociologist in 1901. According to his description:

> A family living upon the scale allowed for in his connection must never spent a penny on railway fare or omnibus. They must never go into the country unless they walk. They must never purchase a half penny newspaper or spend a penny to buy a ticket for popular concert. They must write no letters to absent children, for they cannot afford to pay the postage. They must never contribute anything to their Church or Chapel or give any help to a neighbour which costs them money. They cannot save, nor can they join sick or trade union, because they can't pay the necessary subscription. The children must have no pocket money for dolls, marbles or sweets. The father must smoke no tobacco and must drink no beer. The mother must never buy any pretty clothes for herself or for her children, the character of the family wardrobe as for the family diet being governed by the regulation, nothing must be bought but that which is absolutely necessary for the maintenance of physical health and what is bought must be of the plainest and must economical description (quoted in Paudel, 1986 : 1-2).

This perspective is that the welfare of families is concerned with their ability to consume goods and services in such a way that level of consumption leads to a greater welfare. This suggests that a family is poor if consumption possibilities are low, under some established standard. Because it is widely accepted that income measured in dollar terms is considered as the best indicator of ability to consume. Economic definitions of poverty denotes a poor family as one whose income falls below some threshold.

For making much clear the concept of poverty, Mr. McNamara's 1972 Nairobi Address to the Board of Governors had added to reduce poverty to have a commitment with government of developing countries. His address is:

> The task, then for the governments of the developing countries is to reorient their development policies in order to attack directly the personal poverty of the most deprived 40 per cent of their populations. This the government can do without abandoning their goals of vigorous overall economic growth. But they must be prepared to give greater priority to establishing growth targets in terms of essential human needs in terms of nutrition, housing, health, literacy and employment–even if it be at the cost of some reduction in the pace of advance in certain narrow and highly privileged sectors whose benefits accrue to the few. Such a reorientation of social and economic policy is primarily a political task and the developing countries must decide for themselves if they wish to undertake it. It will manifestly require immense resolve and courage….We know, in effect, that there is no rational alternative to moving towards policies of greater social equity. When the highly privileged are few and the desperately poor are many and when the gap between them is worsening rather than improving –it is only a question of time before a decisive choice must be made between the political cost of reform and the political risks of rebellion. That is why policies specifically designed to reduce the deprivation among the poorest 40 per cent in developing countries are prescriptions not only of principle but of prudence. Social justice is not merely a moral imperative. It is a political imperative as well (quoted in Haq, 1978 : 9-10).

Haq (1978), who was the most distinct and persuasive spokesman of the third world, provides a graphic though disturbing picture of two economic worlds- one embarrassingly rich and the other desperately poor-separated by what he terms 'the poverty curtain.' Regarding the problem of poverty facing both within and between nations, Haq views that traditional growth strategies have failed in many of the developing countries to uplift the vast masses of the people. Consequently he argues to define new development policies for a direct attack on mass poverty. He also finds

an equal effect between the condition of the poor people within a nation and the situation of the poor nations within the international community. Market systems have no significant role to the needs of both, which is the basis of his case for fundamental reforms in national and international economic orders. Now, the strategy of launching a direct attack on mass poverty is generally accepted and both national governments as well as academic community are not considered respectable anymore unless the objective of poverty alleviation is woven into their development periodic plans. The area of priority has shifted in economic literature on subjects like land reform, public ownership of industry and key services, and establishing up of new institutions to reach the poorest sections of the society. If there are institutional rigidities, lack of mobility of labor, unequal levels of education, vastly unequal access to the means of production, and wide disparities in present income levels, growth should get warped in favor of a privileged few, until fundamental institutional reforms are carried out. The priority has, therefore, shifted in considering practical means of increasing the productivity of the poor-particularly of small farmers, landless labor, and workers in the informal urban sector.

Sen (1999) has conceptualized poverty on the basis of 'consumption norm' which he has defined the 'poverty line' and poor are those people who lie below that line. According to him poverty is the ratio of number of poor to the total number of people in the community. He states:

> The first requirement of the concept of poverty is of a criterion as to who should be the focus of our concern. The specification of certain 'consumption norms', or of a 'poverty line', may do part of the job: 'the poor' are those people whose consumption standards fall short of the norms, or whose income lie below that line. But this leads to a further question: is the concept of poverty to be related to the interests of: (1) only the poor, (2) only the non-poor, or (3) both the poor and the non-poor? (Sen, 1999 : 9).

3.2   Absolute and Relative Poverty

Absolute poverty refers to a situation in which individuals are unable to attain even basic necessities of the life such as food, cloth, shelter, safe drinking water, health facilities, primary education, etc. It is a situation in which the income of people is below a certain minimum level required for meeting the basic needs of life. This level of income required to meet basic necessities of life is known as poverty line. Therefore, absolute poverty refers to a situation in which the level of income of the

people is below the poverty line.

Relative poverty is defined as a relative deprivation or exclusion from participation in society of persons, families, group of people whose material, cultural, social resources are so limited that it excludes them from a minimum respectable life.

If the percentage of national income is concentrated in the hands of a very few people and too many people have negligible share in national income, then such state of poverty is called relative poverty. Relative poverty refers to unequal distribution of income and economic resources. Relative poverty exists even in developed countries and varies between countries.

People are poor if they cannot afford those things in life that the society in which they live regards as a normal part of their standard of living. People regarded poor in the given country may be considered rich measured by the yardstick of another country. In many rich countries, families who cannot afford a car are often considered "poor". Relative poverty implies that some have more of goods and services at their command than others or some are poor in relation to others. This is mainly a problem of inequality in the distribution of income and wealth characteristics of advanced economies. But in the developing world the prevalence of destitution, hunger and diseases enables an additional absolute concept of poverty to be used (quoted in Paudel, 1986 : 5).

Bhatty (1974) states that both absolute and relative poverty are closely aligned to inequality in income distribution. Relative poverty exists entirely as a consequence of an unequal distribution of income irrespective of what the income level or the corresponding state of deprivation of the people at the bottom end of the income scale might be. Absolute poverty, on the other hand, expresses as a collective view as deprivation in its some –what physical manifestation. The three popular poverty measures are – head count index, poverty gap index and the squared poverty gap index. The head count index measures poverty incidence as the percentage of population below the poverty line. It is the most widely used measure of poverty but it ignores the depth of poverty and the distribution of income among the poor. The second poverty measure, the poverty gap, goes someway addressing this shortcoming. This measure reflects the distance between the consumption levels of the poor and the

poverty line: the greater the distance the higher will be the poverty gap thus reflecting the depth of poverty. The squared poverty gap is similar in construction to the poverty gap but differs in that it applies and increasing weight to greater distances below the poverty line. The squared poverty gap is thus particularly sensitive to the severity of poverty. The three poverty measures are all part of the Foster-Greer-Thorbecke (FGT) class of poverty measures.

Human poverty is much more than income poverty. The Human Poverty Index (HPI) for Nepal is estimated at 35.4, a figure close to the HPI (38.1) reported in the global Human Development Report 2007/08. HPI varies by areas, regions and sub regions. Human poverty is higher in rural areas and Mountain belt. It is higher in Western Mountain and in the Far-Western Hills 1.6 times higher than that of the Central Hills, where HPI is lowest. Regarding rural urban differences human poverty in rural and urban areas were 38.20 and 20.70 respectively in 2006 (UNDP, 2009).

3.3 Concept of Poverty in Rural-Urban Perspective

Urban poverty is considered to a greater or lesser degree, a reflection of rural poverty in most developing countries. Cities provide job to rural migrants from joblessness, underemployment, and oppressive agrarian structure of low productivity subsistence work. But the rural poor migrants should face the competition which is difficult for urban economies to adjust them in the initial stage and permits urban producers to maintain an insecure, unorganized and low-paid work force. Thus the persistence of the rural poverty puts pressure in urban labor process and contributes to the growth of low-income strata in the cities. An attempt to face urban poverty directly through job-creation schemes, the provision of unavailable public services in rural areas creates the urban rural gap. And so increase the incentives to migrate. Eventually, increased in-migration might well undermine any gains from policies to reduce urban poverty directly (Rodgers, 1989).

The idea of 'development' is primarily an urban issue, which is the question of industrialization and creation of urban wage labor which was wide-spread in the 1950s and 1960s has lost influence. Although a prominent development economist in the late 1970s published a book on 'urban basis' (Lipton, 1977) arguing that development planning and research was biased towards urban areas. That is not to say

that rural areas now receive a disproportionate share of resources or policy interest, or even that rural poverty is adequately documented and understood. The lags are long, and policy institution and research results take time to build up.

Poverty of rural area is quantitatively more important and still considered as the rural phenomenon. There is evidence that uneasy urban poverty is continue to exist and, in many countries growing; and there are grounds for suspecting that there is more to do with the specific ways in which urban labor markets operate with changes in the countryside. Recently, global recession has adversely affected urban poverty. Similarly, views of migration are also changing the image of the rural poor flooding into towns captures only part of reality for migrants are by no means all poor, whether before or after migration. Many urban jobs are found prior to migration, so one can start to ask, in many countries, whether the destination between urban and rural labor market is really clear out: the basic issue is more general one of access to jobs. Networks of the contacts and influence may make access to good urban jobs easier for some strata of the rural population than it is for many of the urban poor (Rodgers, 1989). In a country where less than one-fifth of the population is urban, the urban labor market analysis depends largely on the analysis of rural economic structures.

Considering the overall coherence, this doesn't mean that there should be two separate fundamental approaches to urban and rural poverty. The socio-economic development is a dynamic process and population settlement does not remain static and the actual boundaries of rural and urban areas are continuously changing. Urban poverty issues are particularly apparent in those areas where population growth is high and administrative capacities are inadequate to the rising demand, for example, in new settlements that are existing municipal boundaries. Migration not only rural-to-urban, but also within or between rural and urban settlement follows many patterns such as circular, seasonal and permanent.

Regional mobility allows individual to respond economic opportunity and helps to manage risks and large scale production which is profitable for both rural and urban areas. The increasing concentration of population and economic activity through the process of urbanization reduces the cost of production and service delivery, enlarges markets for goods and services, create a wider labor market. Urban areas account for the major share of income growth and fiscal revenue in most of the countries, but at

the same time rural areas are of a more prosperous and productive when they are close to urban areas which provide major markets, financial resources and employment opportunities. Healthy and well equipped urban economies are therefore essential not only to eliminate urban poverty but also to make possible the elimination of rural poverty. Therefore, at the urban periphery and in small town rural and urban distinctions are not clear. Non-farm employment is important in rural areas and urban agriculture is significant source of food and income in many cities. The livelihood of rural-urban poor often depends on multiple engagements on both sectors and on social safety nets best in both locations.

3.4   Empirical Studies on Poverty

The relevant literature in the global perspective as well as Nepal and in the rural as well as urban context is given in this research study.

Sen (1981) has discussed poverty and entitlements, poverty and its identifications, starvation and famines. Similarly, he has given the vivid picture of Bengal famine, Ethiopian famines and drought and famine in Sahel. On poverty and entitlements, he has started his study in poverty and starvation from the ownership concept. According to him, a person should have the ownership of some commodity. On this basis, the person can exchange his extra commodity to fulfill his/her requirements. The person can get the required commodity directly by exchanging the commodities. According to him, entitlements are trade based, production based, labor and inheritance. Similarly, he focused on social security, and employment opportunities which are also the determinants of poverty and starvation. If there are very few chances of employment opportunities in the economy, the rate of unemployment automatically increases and most of the people have absolutely low level of purchasing power. Similarly, social security program has also a key role to play in famine and starvation. If the government is unable to provide unemployment allowance and pension for an old age group, this makes their purchasing power in term of food item will automatically low; and famine and starvation are likely to occur.

Starvation is a function of availability of food in the society to some extent. But Sen has focused that starvation and famines prevail while there is the availability of food

even in the society. That's why poor people cannot purchase required quantity of food by the lack of money even if there are sufficient food items available in the market.

Regarding starvation and famine Sen has discussed that both are the symptoms of poverty. And in the entitlements approach he has shown that ownership of food is one of the most important primitive property rights. The entitlements approach centralized ones each person's entitlements to commodity bundles including food items. Starvation is the result of failure to be entitled to a bundle within the food.

Sen explains that the great Bengal famine came into existence due to food supply crisis. This famine inquiry commission's view was that the primary cause of the famine was a serious shortage in the total supply of rice required for consumption in Bengal. And it provides the standard explanation of the famine in wheat imports. The later availability of imported food in 1943 was also the major cause of famine in Bengal. Sen has mainly focused on food availability and starvation. His approach to the context of starvation is of gross and poverty is directly connected with famine. He thinks about the world as a whole. But he has not separated rural urban poverty comparatively.

Jain (1981) in 'Poverty to Prosperity in Nepal' describes on various poverty problems in Nepal. He recommends some long term policies to reduce poverty. He has used secondary data for his study. His study is based on the sample survey done by National Planning Commission. He has categorized the poor people into two groups, 'poorest of the poor' as absolute poor and only poor as a relative poor. He estimated Rs. 2 and Rs. 2.68 per head per day at 1976-77 prices as absolute and relative poverty lines respectively. On this basis, he observed that 36.20 per cent of the population were absolutely poor and 18.95 per cent of the population were relatively poor .Therefore, 55.15 per cent of the population were in poverty overall. Regarding rural urban differences, 37.17 per cent of the rural and 17.55 per cent of urban people were below poverty line.

Belt-wise poverty shows that the incidence of poverty was highest in the Mountain region (75.84 per cent of households) followed by the Hill (36.05 per cent of households) and Terai (39.63 per cents of households). His study has shown the rural

urban poverty separately. However, there is no focus on the socio-economic indicators of poverty comparatively.

Jain suggested some socio- economic measures like food for work, credit for production, animal husbandry, health, education, family planning and child care etc. for poverty reduction. According to him, the cause of rise in the number of total poor is mainly due to lower increment in family income as compared to inflation and subsequently the net burden of inflation affecting the consumption basket of the poor.

To lift below poverty line poorest of the poor households to above poverty line income it is necessary to meet national average household consumption expenditure an additional income of Rs. 2059 per family per annum by 1980 and Rs. 2387 per family per annum by 1985 will be required.

Nepal Rastra Bank (1985) conducted a study on 'employment, income distribution and consumption' in Nepal. In this study 5323 households were taken as sample in total from Hill, Mountain and Terai. The study has pointed out that the findings on the basis of calorie norm of 2250, Rs 160.8 per person per month for the Hill/Mountain belts and 125.04 per person per month for the people of Terai were estimated as poverty lines, and that the poverty was found 50.00 per cent in the hill followed by 44.10 per cent in Mountain and 34.50 per cent in Terai. It clearly indicates that the highest concentration of poverty is in the Hill area. This empirical study further shows the differences of rural urban poverty that the incidence of poverty was 43.10 per cent in rural area and 129.20 per cent in urban area. This study has included rural and urban poverty separately.

Paudel (1986) in his book 'Drive Against Poverty' has focused on the vicious circle of poverty existing in the developing countries. He adds that in order to fulfill social and religious duties from birth to death, people spend a lot, even though they have low income. As they believe in fate, they spend more on non-productive work, and borrow much. The high level of indebtedness leads to poverty. He has suggested that illiterate, fatalism, religious ideas, caste system and extended family system have prevented the people from adopting modern ideas and techniques whereby they could increase their income and rescue from poverty. He has also given attention on the distribution of justice and believes that income inequality is the cause of poverty. In

increasing agricultural productivity and developing cottage and small industries, small farmer development program, cooperatives and the extension of social services can play an important role. In the future, integrated rural development program of such type should be extended in nationwide basis.

In brief, he concludes that Nepal is certainly aware of the extent and nature of the problem of poverty in general and rural poverty in particular. Many policies and programmes have been devised to alleviate the situation, but unfortunately, the results fell far short of the stated goals. One reason may have been that these programmes did not go far enough and another is that they have addressed the wrong questions. Effective options for poverty reduction are certainly not beyond the capabilities of planners and policy makers in the country. What is needed is the will to face up to the challenge of the obscenity of modern times poverty. He has mentioned the poverty overall but not separated rural and urban poverty.

Seddon (1987) in his book 'Nepal a state of poverty' is a data base study of the political economy of social deprivation in Nepal' based on field work carried out between 1974 and 1982. Further, he has also used secondary data. It has presented in an original manner as a report to the ILO as a contribution to the ILO project on population and poverty in South Asia as this book provides a surgery of the roots of poverty and inequality through an analysis of economic political change in Nepal since the 19th century, and provides a framework within which population dynamics can be understood as an important but ultimately socially determined factor in the complex evaluation of the Nepalese political economy.

The problem in Nepal occurs simply in terms of population growth overcoming economic growth, and is related as a multi facet accumulation of contradiction in which the profound economical and population crisis so evident today is being 'backward' character of the economic and political character of Nepal whose historical roots can be traced back near about a century .He has given due consideration on the struggle for basic needs of deprived and disadvantaged group.

This figure has noted a challenge over the old structure of power and inequality. According to him, on the basis of depending on crisis, basic contradiction raises necessity of significant change over time. Seddon has recommended some policies,

giving more emphasis to the role of government. This study is based on overall poverty situation of the country historically. This is a vague study.

National Institute of Urban Affair (1989) in 'Profile of Urban Poor' has used the Government of India's definition of the poverty line as it was the only official figure available. At 1984/85 prices, the Planning Commission fixed the poverty line at Rs. 122.00 per capita per month for the urban area (being the monetary equivalent of 2100 calories per capita per day). According to this definition, 41.00 per cent of the sampled households were below the poverty line.

Regarding the study design, this study focuses on the low income households, mostly slum dwellers. Since no information exists on the distribution of households by income groups at the city level, selected low income settlements were surveyed and the households below the poverty line were separated for closer examination. The study does not attempt to compare the distinct quality of the poor with the non-poor. However, wherever national level data were available, a comparison of it with the sample of low income households has been made. The study limits itself to making comparisons of the low income households with those below the poverty line.

Regarding the location, the study is based on primary surveys carried out in 20 urban centers in the country. The sample urban centres include two metropolitan cities (million plus) Kanpur and Nagpur, three cities of 5,00,000 to one million Surat, Madhuri and Vishakhapatnam, eight cities of 1,00,000 to 5,00,000 Moradabad, Warangal Gorakhpur, Mangalore, Bhagalpur, Sambalpur, Imphal and Rewa, four cities of 50,000 to 1,00,000 Mednipur, Sivakasi, Shimla and Kottayam and three cities with population less than 50000 Nawada, Mandvi and Nandgoun. In the selection of the sample urban centre, the main consideration was their geographical location, demographic characteristics and economic activities.

Regarding the major findings, the incidence of poverty continues to be high amongst the schedule castes and schedule tribes. The various poverty alleviation programs here did not have the desired impact and, therefore, need to be pursued vigorously.

A very large percentage of urban poor worked as sweepers, rickshaw pullers, weavers and street venders. This helps in the identification of the poor who need assistance. It

was suggested that programs could be divested to help each occupational group separately which will address their individual needs.

Over half the sampled households have only one earning member per household. Therefore, the study suggested that insurance must cover and provide to all workers of the low income households to protect their families from acute suffering. Similarly, quitting was one of the characteristic feature of the urban poor. The access of urban poor to basic services was very poor. A majority of the households (94.00 per cent) depend upon public sources of water supply and almost three forth of the low income households use open space for personal sanitation.

Rodgers (1989) in the book 'Urban Poverty and Labor Market' has shown some responsible factors to create poverty like remuneration differentiation in jobs and reward; unequal access to work of any sort; the possibilities of labor supply and the dynamics of poverty for individuals and society as a whole in response to changing labor market situations. The above mentioned elements in turn lead to two distinct outcomes, which are easier to separate in theory than in practice: the overall incidence of poverty and the determination of who the poor are. One can observe differences in the incidence of poverty among labor market groups and the book also examines that, to some extent, labor market structure is responsible for the overall level of poverty.

This book investigates the ways in which poverty can be traced to labor market mechanisms in cities of Asia and Latin America on the basis of a series of empirical studies. It further states trends in different dimensions of urban poverty, assesses how they affect different population groups, analyses the relative importance of labor market and other factors in the evolution of poverty. The longer term objective is to contribute to the design of labor market policies in the context of strategies for the reduction of urban poverty which take advantage for complementarities between labor market and other anti-poverty policies. The studies are diverse in their approaches reflecting the different situations which they cover, the differing perspectives of their authors, and differences in the availability and use of data and results from past research. But underlying this diversity is a common concern that needs more to be known about patterns of urban poverty and their origins in labor processes. Among the issues highlighted are: the importance of unemployment, real wage declines and

informal sector absorption as mechanism involved in the creation of poverty. It has focused more in different dimension of urban poverty.

National Planning Commission (1989) published the booklet entitled 'Programme for the Fulfillment of the Basic Need (1985-2000)' in 1989. In this booklet the government has presented the basic needs of the people and analysis is of available data of other Asian standard also. According to the study to minimum basic need income is estimated of NRs 1971.00 at the per capita level and NRs 10,367.00 at the household level on the assumption of household size at 5.26.There are two aspects of the increase in basic need income. One is the faster growth rate of economy and the other is the distribution of the income and assets.

Bouzas (1990) in a study of 'Income Distribution in the Greater Athens Area (GAA)' used the grouped data of annual net income (excluding direct taxes and social security contributions) for the year 1984. In 1984, 19.00 per cent of households and 22.50 per cent of the population in the GAA were living in poverty. The incidence of poverty increased with the size of the household: households with six members exhibited the highest deviation from the poverty line. The aggregate poverty gap amounted to 3.10 per cent of the total net income. Bouzas rejected the approaches that locate the causes of poverty in the characteristics of the poor (e.g. the poverty culture) and emphasized factors such as economic and social policy and especially the absence of substantial social benefits related to the constitution and size of the household.

Ravallion et al. (1991) conducted a study for examining the 'Magnitude and Severity of Poverty in 86 Developing Countries' using secondary data. For this purpose, they assumed the same poverty line for all the developing countries and the Indian poverty line was used as authorized. They adopted multiple regression equation as well as head count ratio and income gap ratio and observed that $31 per month was actually a common poverty line amongst many countries but the range of $23-31 embraces quite well the poverty line used by low income countries. Applying the poverty lines, they observed that about 1137 million people did not attain consumption level of $31 per month in 1985, of those 645 million did not attain the lower and extremely frugal poverty line. Highlighting poverty problems, they concluded that the absolute poverty lines for the poorest countries would change very little as growth initially proceeds. They suggested that a seemingly modest worsening in distribution could upset the

progress in poverty alleviation. This is not a specific study concentrated in a particular area which has covered 86 nations.

Gewali (1994) reviewed that the growing level of the poverty in Nepal is due to excessive dependence on agricultural sector which is the result of low development of non-agricultural sector. Similarly, he has added the lack of cultivated and well irrigated land for majority of the families which are categorized under small and marginal farmers with relatively inferior quality of land. Furthermore, he adds the small fraction own major share of farming areas and majority are either landless or near landless families. The concentration of land in few hands both in Hill and Terai had manifested inequality in ownership of principal and productive assets which had created in turn inequality in income distribution. Such type of property relation has no incentive to increase agriculture production in which marginal land is brought under cultivation.

Gewali has shown the insignificant impact to reduce poverty. Polices brought out during 1980s were also subject to criticism on their effectiveness to providing benefit to the poor. His paper aims to critically comment on the policies introduced to all evicted rural poverty in the country, with particular attention to their objective and assumption, then enter-linkages between them, and their effectiveness, he has further added that special policies related to the land reform, integrated rural development and credit for the rural poor should be taken into account for analysis.

According to him, absolute poverty, mainly concentrated in the rural areas of developing world is the main cause of shortage of cultivated land for the agricultural population which prevails more in south Asia. Land as a major productive assets in the agrarian economics is the main source of livelihood to majority of the rural inhabitants and it provides major share of their income and employment. He has given other logic about the cause of poverty or linked with the development strategies followed by the countries and the existing mode of production. For this he has added the argument that the rural poverty is the outcome of the inappropriate development strategies following agrarian economies.

Gewali has opposed the head count method of measuring poverty based in the predetermined poverty line. It is very often criticized, as unrealistic because it does

not hold good in all circumstances and provide, unrealistic figure. In his article he presents an argument that land reform program is one of the major anti-poverty policies introduced in 1964, the population expansion, and wide inequality in distribution of cultivated land was considered as a main reason of not showing proper respect to rural inhabitants. His article is concentrated on rural poverty.

Gurugharana (1995) has expressed the characteristics of the poor in Nepal, and has mentioned some statistical issues. In rural areas where 95.00 per cent of poor live but four fifth of them are either agricultural self-employed or agricultural laborers with or without tenancy right. It is also mentioned that the poor have low quality of land which yields low productivity. The laborers are getting very low rate of wage in the labor market. Opportunities for non-agricultural are limited due to low development of this sector. Most of the laborers consume their income in food items and the remaining in clothing and fuel but negligible in social sector i.e., health and education. Due to child marriage of women, the reproductive age is long and they give birth to more children. Further, male child has been given more preference to female child. Women have more workload at home than men. Nutritional food is not available to the poor. This has increased the mortality rate. There is no food security due to the lack of protection and management. Food production is also not sufficient to meet the basic requirement of the country. The availability of food is also seasonable for the poor family and they are unable to produce the required quantity of food themselves.

Gurugharana further adds political and socio-cultural factors responsible for increasing poverty in Nepal, where lack of good governance, lack of participation by masses of people in the development process and weak, inefficient and corrupted administrations all are responsible for increasing poverty. Similarly, poor access of social service, low human development and inappropriate public expenditure pattern are equally responsible to increase poverty. Similarly, economic, demographic and geographical factors are also responsible for increasing poverty. The mass poverty, agriculture the main job, dualistic nature of economy and low development process, high rate of unemployment and underemployment, underutilization of available natural resources, high rate of inflation and raising living standard specially for fixed and low income groups, high rural indebtedness, heavy dependence on informal credit

and mismanagement of foreign aid are the economic factors. High rate of population growth, low life expectancy and high infant mortality rate are demographic factors; and land- locked, Hill and Mountain structure of the country are the geographical characteristics of the country. The attitude of government is to rule people and not to uplift them by mobilizing social and economic activities.

Else Yen et.al. (1996) in a 'Global Review' focuses on four broad perspective from which the issue of poverty can be addressed:

- the neo-classical theory of market led development;
- the political economy of poverty;
- the culture of poverty;
- A participatory approach to poverty alleviation.

These theories have some explanations of poverty and lead to varied policy recommendations for the alleviation of poverty.

The neo-classical approach argues that market led development is the key factor of the poverty reduction and improving living standard of the people in the long run. It has an argument against "safety nets for the poor" since such protective measures are incapable of the operation of the market forces. Under the influence of the structural adjustment policies advocated by the World Bank, this approach has increasingly acquired a leading position in development thinking worldwide.

An example of the application of the neo-classical approach in south Asia is the positive economic and social benefits of the green revolution in Pakistan and parts of India.

The political economy approach contents that the poverty is a product of certain economic and social processes that exists within given social systems. It assumes that there is the struggle of interest between the rich and the poor, and that the poor remain poor not because of an individual or personal qualities but because society denies them the share of benefits that should accrue to them. The notion of the class is central to the political economy approach to poverty.

From the work of Oscar Lewis in 1950s, the culture of poverty approach became an important tool in the study of urban poverty, especially in North America. This theory

holds that poverty is not merely a low level of income but rather a way of life handed down from generation to generation. In contrast to the theory of the political economy, which looks of causes of poverty in the larger structures of society, the culture of the society attributes poverty to the subjective views of the urban poor themselves.

Regarding the participatory approach to poverty alleviation, many past efforts to deal with poverty involved interventions from outside, whereby the poor themselves were seen as targets rather than decision makers cum actors capable of improving their own condition, given the right incentives and skills. This approach argues that the only way the poor can overcome their difficulties is by directly participating on the formulation of social policy, the development of the programs, implementation at ground level, and sharing the benefits of such programs. The participatory approach has the dual objective of promoting growth and equality while also ensuring the development of the democratic processes at the grass root level.

Nepal Living Standard Survey (1996) in its Main Findings has presented that 42.00 per cent of the population lived below the poverty line. There is wide differences in poverty incidence throughout the country were noted, ranging from 41.00 per cent in the Hills as 56.00 per cent in the Mountains, with and overall poverty rate is 44.00 per cent in rural areas and 23.00 per cent in urban areas. Subsequent estimates based on the secondary data showed that poverty rate has dreads to 38.00 per cent by the year 2001/2002. The report further provides information on the access of Nepali households to a number of facilities, including primary schools, health posts, co-operatives, banks, market centers, roads and bus stops etc. Households are classified on the basis of the total time it takes them to travel a facility of one way irrespective of the mode of transport used. The mode of transport could be on foot or cycle, or by rickshaw, automobile/bus or a combination of two of these modes. The report states that the total households in the country have access to primary schools within a travel time of half an hour. Further 45.00 per cent of the households have access to health posts and only 30.00 per cent have access to paved road within the same travel time. The proportion of the households that have access to 'haath' bazaar within half an hour is strikingly high at 66 per cent. On the other side, it can be seen that around 29.00 per cent of the households require to travel 3 hours or more before they could reach a paved road.

The survey had followed the LSMS methodology which was developed by the researches of the World Bank. Questionnaire related to consumption, incomes, housing, educational and health status and fertility were included in that survey. Similarly, innovative data management techniques including of pre-quoted questionnaire, decentralized data entry, field verification and extensive training and supervision of field workers were some of the key features of this methodology applied in that survey. This study has shown rural and urban poverty.

Shrestha (1998) describes that the remarkable problem in Nepal is the widespread prevalence and persistence of poverty. Poverty in the country is distributed regarding to caste/ethnicity, gender and regions. The pattern of poverty shows that the Mountains, the Mid-Western and Far-Western Development Regions have large concentration of poverty.

The spatial dimension of poverty requires to be explored in order to develop poverty alleviation programmes. So, the regional development approach tends to be a relevant strategy in addressing the poverty alleviation. It is relevant to find out poverty pockets. It is equally relevant to formulate location of specific of development programmers. There is a lack of data on the distribution of poverty in Nepal. However, poverty pockets should be identified on the basis of available data. He has added that several data generated by Nepal Living Standard Survey could be utilized to determine the incidence of poverty at the regional level. Such information could be developed at the sub-regional level as considerable changes have taken place during the past few decades, and these have considerable effects on spatial structuring. For this, reassessment of development regions has become absolutely necessary.

Tatsuro Fujikura et al. (1998) presented a workshop paper on the topic 'Participatory Poverty Assessment(PPA)' which was based on the results of participatory poverty Analyses conducted by Action Aid Nepal, Plan International and New Era in eleven districts (Morang, Bhojpur, Sindhuli, Sindhupalchok, Makwanpur, Nawalparasi, Jajarkot, Kanchanpur, Kathmandu, Lalitpur and Bhaktapur) of Nepal in 1997. PPA was conducted through focus group discussion and Participatory Rural Appraisal (PRA) with men, women and children of rural and urban communities. PPA was conducted for an effort to readdress the situation in which poor people have been excluded from the processes of defining and analyzing poverty.

The result of PPA shows that the necessity listening to these voices because they reveal the diversity of poverty experiences. Therefore, it is necessary for devising policies that address the diversity of poverty existing in Nepal. And poor people are marginalized and excluded from policy making process designed to alleviate poverty. For helping to identify experiences that are localized and specific to certain groups, PPA has shown that the nature of poverty in the study area is of multi dimensional in nature, which has different experiences: for some it is a condition of irregular income and other basic needs of food, shelter and clothes. For others it is indebtedness since generation. Reorganization of the diversity of poverty experiences point to the need for equality and to create poverty eradication efforts. PPA highlights that insufficiency of understanding of poverty is directly correlated with the exclusion of poor people from policy making processes. It brings policy failure at the local level which could have been avoided with opportunity for people's participation in policy formation. This study has included rural urban poverty.

World Bank (2000/2001) recognizes that poverty is vulnerability and lack of voice, power and representation. This multi- dimensional view of poverty has been greater complexity in poverty reduction strategies since social and cultural forces need to be taken into account.

The way to deal with this complexity is the way through empowerment and participation in local, national and international level. National governments should be fully careful to their citizens regarding development activities. Participatory mechanism facilitates providing voice to men and women, especially those from poor and excluded group of society. The design of decentralized agencies and services needs to reflect according to local situations, social structures and cultural norms and heritage. International institutions should listen the voice of and promote the interest of the poor people. Poor must be brought at centre in designing, implementing and monitoring anti-poverty strategies since the poor are the main actors in the fight against poverty.

Fighting against poverty program should be launched in three complementary areas: promoting economic opportunities for poor people through equitable growth, better access to markets and expanded assets; facilitating empowerment by making state institutions more responsive to poor people and removing social barriers that exclude

women, ethnic and racial groups and socially disadvantaged; and enhancing security by preventing and managing economy wide shocks and providing mechanism to reduce the sources vulnerability. For this attempt only from countries and communities will not be enough. Global actions with strong support are needed.

Lumanti (2001) in report on the topic 'A Situational Analysis of Urban Poor Communities in Kathmandu and Lalitpur' states that poverty has been linked with urbanization as more and more people migrate to cities that are unable to cope with the combined pressure of rising population and limited resources. Urban growth in Nepal is increasing sharply and expected to continue. The urban growth rate has now reached 6.00 per cent per annum, the highest of any country in south East Asia and if this trend continues, by 2015 the urban population in Nepal will have topped 36.00 per cent the report projected. The report adds government response to manage to urban poverty has been limited and less effective though efforts are made to manage urban development and include the urban poor in this process are growing. Among organizations and other civil society institutions, interest in urban development is also growing. Lumanti Support Group for shelter is one of the organizations in Nepal working with these squatter communities.

Regarding the management and method, the overall management of the study and preparation of final report was the responsibility of Lumanti. The 45 communities were selected on the basis of their willingness to participate in the information generation and collection processes and the extent of their involvement with Lumanti. The data collection process was divided into two stages. The first stage (February-March 1999) involved the facilitation of participatory Urban Appraisals (PUAs) 17 communities using tools such as community mapping, a well-being ranking, community time lines and mobility mapping. The second stage (August–October 2000) involved household surveys in 45 communities.

Three approaches were consciously adopted to address voices of the people reflected in the survey. The first was the participatory approach for the encouragement of the community members. The second was the partnership approach which was taken in both the information collection and its sharing. Community leaders were encouraged to participate as facilitators and surveyors as well as sharing their knowledge and experiences of life in slum and squatter communities. The third was the right based

approach that was used in a bid to focus on the causes of social exploitation and marginalization.

National Planning Commission (2002) in its 'Review of Ninth Plan' elaborates the major causes responsible to create poverty are the factors such as distribution of farm lands, weak approach of poor in resources, fragmentation of holdings and causes related to weak implementation such as incapacity to curb down the leakages and irregularities, political instability, lack of uniformity in policy and programming ineffective plan formulation, and resource allocation and week monitoring. Further, there is other worth mentioning socio-economic causes such as low rate of economic growth, lack of technical education, unexpectedly low positive response from private sector and social security problem.

Local Development Training Academy (LDTA) (2002), in a report on the topic 'Poverty Reduction and Decentralization: A Linkage Assessment Report 2002' is given an example of Uganda, a developing country like Nepal could lower down its poverty rate to 35.00 per cent in 1999 from 56.00 per cent in 1991. This was due to more aggressive role in the areas such as participatory approach, good governance, special interventions for poverty alleviation, and quality of public expenditures.

The lessons learnt so far in Nepal indicate that the impact of government programs is not in match with what they really intend to achieve. There is a tremendous gap in between policy and action, programs and implementation and goals and results. Weak institutional structures, inadequate delivery system, financial leakages, and malpractices have reduced the effectiveness of government programs. The failure of government agencies to deliver services has resulted in a loss of faith among the people in the capacity of government to improve their quality of life. Many actors deserve a fare share of the blame for such failure, including the donors who just chide for non-performance but keep on continuing their assistance. This report has shown the poverty scenario in overall not rural and urban separately.

Government of Nepal and United Nations Country Team of Nepal (2002) has reported that poverty remains still a major challenge in Nepal and about half of the children below the age of five were underweight, and literacy rate specially of women was very low. The report marked that annual population growth rate of 2.27 in 2001, where

human development index (value) in 2000 was 0.466 and human development index (rank) was 129.00 in 1999. The percentage of population below national poverty line was 38.00 in 2000 according to that report.

The principal development objectives of poverty reduction largely remain to be translated into suitable macroeconomics, fiscal and sectoral policies and programs. In particular, there has been a remarkable absence of viable employment promotion policies, despite the large magnitude of under-employment, and despite the fact that the labor force is growing at the rate of 3.00 per cent/year. The Agriculture Perspective Plan (APP) implementation process has given little care. The targeted poverty reduction programs are not only small in size but their implementation suffers from several shortcomings. Safety net programs have a very low coverage. Success in poverty reduction at the micro level remains to be reviewed and replicated at a large scale.

United Nations Development Programme (2004) in 'Nepal Human Development Report' has described that Nepal has achieved broad macroeconomic stability during the last decade or since the reforms. However, the stability could not stimulate economic growth a key to poverty reduction. The data indicate that some segments of the poor are hard core poor, and having a low living with lack of basic infrastructure. The distribution pattern of assets is equally responsible for creation of poverty which is unequal. Similarly, poverty in Nepal is associated with lack of access to education, health facilities and economic infrastructure. Further, the poor also generally have limited access to paid employment. Employment is a key variable which can be integrated to poverty reduction; and it is necessary that any poverty reduction strategy aims at reducing underemployment and unemployment.

Low rate of economic growth, narrow based agricultural growth which was not much faster than population growth were the causes to increase poverty. The incidence of poverty in rural area is deeper and critical. The rural poor own less land, have less access to irrigation and other basic infrastructure, and have lower level of education than the non-poor. It is also noted that poverty incidence is significant even among the rural farm households with relatively large farm size. This is the indicator of low productivity of land; and poor in Nepal are facing food insecurity especially in the remote areas of mountain and Hills. In an agricultural country like Nepal with high

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level of rural poverty, agriculture growth is of central importance in the area of poverty reduction. The government has to mobilize funds for the development of irrigation through appropriate fiscal policy. Similarly, a higher skewed distribution of land and declining farm size are two factors which act as structural constraints to poverty reduction through agricultural growth. The issue of land reform needs high priority in the policy agenda. Furthermore, income level of the rural poor can be raised only by integrating them into growth process. The poor needs increased access to productive assets like land, irrigation facilities, credit, education and training. Without policy interventions for the poor, they cannot go up from the level of poverty. Broad based economic stability, competitive markets and public investment in physical and social infrastructure are widely recognized as the basic requirements for sustained high economic growth and poverty reduction. The relation between economic growth, income distribution and poverty have been extensively studied in the recent literature and it is concluded that absolute poverty can be reduced only if economic growth takes place on a sustained basis.

Urban development through local efforts (2004) 'in Urban Poverty Analysis' examines poverty comparatively between urban and rural areas on the basis of data from the 2001 census. By all measures, rural areas are poorer than urban. However, considerable variations exist. These are not apparent as the comparison is made at the aggregate level. Based on the results it is found that some municipalities are significantly poorer than others. The same will be true in terms of village development committees.

The measure used to gauge poverty may not be equally applicable to both urban and rural areas. Some interpretation may require in this sense. An example has given that use of wood or dung is common in rural areas for cooking source of energy whereas it is considered as an indication of poverty in urban areas. Furthermore, the impact of poverty is more acute in urban areas due to the difficulty of households to depend on cash not on kind like that of the rural areas.

The poverty scenario of some municipalities are given as their proportion and number. Municipalities with a high proportion of poor are Gaur, Jaleshowor, Siraha, Gulariya, Kapilbastu, Khadbari, Narayan, Ramgram, Triyuga, Birgunj, Kamalamai, Malangawa and Tikapur. Similarly, municipalities with a large number of poor are

Biratnagar, Mahendranagar, Dhangadi, Janakpur, Kathmandu, Dharan, Lalitpur, Mechinagar, Pokhara, Bharatpur, Butwal and Tribhuvannagar. Further, municipalities having high proportion and large number of poor are Gularia, Biratnagar, Birgunj, Triyuga, Janakpur Dharan, Jaleshwor, Kathmandu, Mahendranagar, Pokhara, Dhangadi, Gaur, Lalitpur and Siraha. This report is concentrated more on urban poverty.

World Bank (2005), defines poverty that applies to individual but is measured from household data; and in practice we nearly always use the headcount measure, even though this is just one of many possible measures. The first problem is determining the purchasing power of dollar in each country. One dollar buys less in the U.S than in India. So, someone living in $500 per month in the U.S would be poor, in India they would be comfortably off.

The relationship between poverty and education is particularly important because of the key role played by education in a rising economic growth and reducing poverty. The better educated have higher incomes and thus are much less likely to be poor. Combodians living in household with an uneducated household head are more likely an to be, with the poverty rate of 47 percent in 1993/94. With higher level of education, the likelihood of being poor falls considerably. Rising education attainment is clearly a high priority in order to improve living standards and reduce poverty. Policies and programmes designed to help poor seemed good on paper but in practice, do not work as expected. To judge the effect, own would ideally like to monitor the effect of policy on the poor, and evaluate the outcome in comparison with a controlled group. Rigorous analysis of this kind is needed both to improve the design of the project and programmes, and to weed out ones that are not working.

Measurement of poverty is necessary, but not sufficient; it is also important to think clearly and systematically about how the position of the poor improved and to act in consequence.

Regarding income or expenditure as the measure of poverty most developed countries measure poverty using income, while most poor countries use expenditure. There is a logic to this; in rich countries, income is comparatively easy to measure while in poor countries expenditure is easy to measure than income.

Bajracharya and Bajracharya (2005) carried out a study on 'Poverty Income, Employment and Urban Facilities' in Kathmandu Metropolitan city. They covered 4476 households and 23419 persons.

The mean household size was 5.2. The household size correlated with the level of poverty inversely: richer family has smaller family size and poorer family has larger size. The rate of inactivity was very high (28.39 percentage). Inactivity rate was higher among poor and lower middle class family. The poor people were the most unemployed. The literacy rate of Kathmandu was 90.00 percentage with 94.00 percentage literacy for males and 84.10 percentage literacy for females.

The age group distribution showed low children population at 5.50 percentage for 0-5 age group as against the national group of 16.00 percentage. The main source of education was school. However, non-formal programmes were found to be more fruitful to females than males. The major health problems in Kathmandu are respiratory disease, diarrhoea and gastroenteritis diseases and problem of major organs. Available information has indicated that female tends to suffer more from various diseases than male.

The major source of income was services followed by business, house rent and agriculture. Business is more prominent for Newars while services accounted for lesser part to their income unlike to other categories. Brahmins and Chhetris were found to be more engage in service activities.

The major improvement is needed in road sector related surface drain, underground drain, food track and road in order. Similarly, problem was found in water supply closely followed by employment opportunities and income generating activities. The remaining problems were solid wastage management, drainage system, health, education and sanitation.

Regarding recommendations, he has given emphasis to improve the quality of life and urban services in Kathmandu. In order to alleviate poverty and create jobs, attention should be first provided to social mobilization. Groups should be mobilized and formed by taking into consideration commonality of interest and problem to ensure the people do come together to solve their problems and to empower them. This may

be done through participatory Rural Appraisal (PRA). Unemployment has increased as a serious problem in Kathmandu. So the attention must be paid towards employment generating activities.

SAARC Secretariat (2005) in 'Regional Poverty Profile (RPP)' reveals poverty and inequality, women empowerment, labor skills, mobility and poverty reduction, remittances and poverty reduction.

Regarding the methodology, RPP country teams were formed in each of the seven SAARC Member States to collect data and write reports. The country teams generally consisted of one representative from a designated nodle agency, one statistician/ demographer and one economist/researcher from an independent research institute.

The RPP main report is based largely on the data and analyses provided by the country teams. Data and also analyses, obtained from other sources such as, UNDP, ILO, The World Bank and ADB were used.

The report describes that SAARC countries have made remarkable progress in accelerating per capita GDP growth rates and reducing poverty in the last two decades. However, unequal distribution of the gains of growth has created an emerging challenge in the area of poverty reduction.

Gender related Development Index (GDI) in most countries of the region is still very low. It is absolutely necessary to address the gender disparity as soon as possible. Poverty alleviation efforts cannot be sustainable until the female segment of the society is able to play their proper role. Further unskilled labor power is the main asset of the poor. But without land or other physical productive or human capital assets cannot take the poor far. The shift of workers out of agriculture is increasing. It is reflected in the low and declining levels of employment elasticity in the agricultural sectors in most of the SAARC countries. However, the low and declining employment elasticity in the farm sector themselves is a major challenge to employment policy makers in SAARC countries.

Remittances have had a very significant role on reducing poverty in these countries. Remittances are transferred through different channels that differ with respect to cost, speed and convenience. Regarding a policy perspective, it is desirable to reduce

transfer cost, discourage the use of informal channels and promote transfer that enters financial institutions in the receiving countries.

More attention needs to be paid to collecting and publishing credible data on international migration and remittances in general and contractual labor within south Asian countries in particular.

Central Bureau of Statistics (2005) in 'Poverty Trends in Nepal' reveals that poverty has radically declined in Nepal between 1995-96 and 2003-04. In 2003-04, 31.00 per cent of people were poor in Nepal compared to 42.00 per cent in 1995-96. Thus, the incidence of poverty in Nepal declined by about 11 percentage points over the course of eight years, a decline of 3.70 percentage per year in average. The incidence of poverty in urban areas more than halved than that of the rural area. While poverty in rural areas has also declined, at 1 percentage point per year, but its incidence remains higher than in urban areas.

The incidence of poverty in 2003-04 varied considerably in different parts of the country, ranging from a low of 3.30 per cent in Kathmandu to 42.90 per cent in rural Easter Hill and 38.10 per cent in rural Western Terai. Between 1995-96 and 2003-04, poverty declined in both urban areas under consideration: in Kathmandu by 23.00 per cent and in other urban areas by 59.00 per cent. In rural areas highest decline in poverty occurred in rural Eastern Terai (33.00 per cent) and rural Western Hills (32.00 per cent). The incidence of poverty declined in rural Western Terai by 17.00 per cent. By contrast poverty in rural Eastern Hills increased from 36-43.00 per cent. These changes affected the poverty ranking of the regions, with Eastern Hill undergoing the most dramatic shift from having the third lowest incidence of poverty in 1995-96 to having the highest incidence in 2003-04. This study has shown rural urban poverty clearly.

Peter Lanjouw et al. (2005) have described a methodology to calculate nutrition based poverty line for Nepal. Based on the 1995/96 Nepal Living Standard Survey data, the poverty line is calculated at NRs 4404.00 at the prices prevailing in the reference area. After adjusting the consumption aggregate received from the survey data for spatial price differences, poverty measures incidence, depth and severity were obtained for Nepal as a whole and for various geographical areas. The paper confirmed that

poverty incidence was high in Nepal, and that there were differences across areas, with rural area poorer than urban areas, and the more remote rural areas of the western part of the country being especially poor.

Inequality of consumption in Nepal as a whole, measured by the gini coefficient, was 0.34. Although caution point to be exercised in comparing inequality across countries, due to great difficulties in establishing comparability, it would be seen that this measure is broadly in line with those for other countries in South Asia. There is a big difference in the degree of inequality between urban and rural Gini coefficient across countries typically lies in a range between 0.2 and 0.5, the difference in degree of inequality of two sectors is striking.

It was found that Kathmandu is unambiguously less poor than all other regions irrespective of where one might want to locate the poverty line, or what measure one might want to apply. Similarly, poverty in the rural western hills is higher than everywhere else unless one wants to accommodate a very high poverty line. These are the 2 robust statements which one can make in comparing poverty across the 6 groups. Ranking of the other regions will be specific to the precise location of the poverty line and the particular choice of the poverty measure; consequently, these rankings are not likely to receive universal endorsement from persons with divergent opinions on the methodology for setting a poverty line or the relative appeal of different poverty measures.

Global call to Action against poverty Nepal (2005) has concluded that disparity between rural and urban areas and widening gap between the rich and ultra poor makes it even harder for the MDGs attainment. Furthermore, a regional disparity with the Mid Western and Far Western Regions lagging far behind other regions in terms of infrastructure development makes it too difficult for balanced economic growth. Moreover, it is aggravated due to the exclusion of women, dalit and disadvantaged indigenous groups from the benefit from the majority of development interventions and social services. Similarly, bringing the disadvantaged people and geographical areas into the development main stream is a key to attaining the MDGs.

The report is based on quantitative and qualitative data collected from primary and secondary sources of information. Secondary information is based on a review of

documents related to the MDGs published by the government, non-government organization and related websites. The primary information is collected from questionnaire survey conducted in the rural village of 28 districts collecting all five regions through FGDs, surveys among NGOS representative Village Fact Sheets and Case Study. In total 130 FDGs based on village level question were conducted in 130 villages, as well as 116 Village Facts Sheet, 70 opinion surveys among NGO representatives from various districts and 12 interviews were selected for case studies.

World Bank, Department For International Development, Asian Development Bank and Central Bureau of Statistics (2006) in an 'Assessment Report of Poverty in Nepal 1995-96 and 2003-04' examines people from dalit women, people living in remote and underdeveloped areas and poor have faced multiple difficulties to advancement in Nepal, but these difficulties are slowly decreasing. The decline in poverty, the expansion of roads, access to in education, have all disproportionately benefited poor people, women and people in remote and under developed areas. But this trend will be continued to bring these groups into the main stream of development process.

Education will bring multiple benefits, not only to poor people but to society at large. The education of women will improve not only their own productivity but also that of their children in a multiple way. Public policy can play a role in increasing demand for education.

Remittances have played an important role in improving living conditions of the people in Nepal. Considering its importance to the economy, further research on economic migration in Nepal should be encouraged to insure that government and financial sector policies and instruments maximized the full potential of remittance a tool for development.

The declining profitability of cereal crops indicates to the need to continue to promote high-value agriculture including horticulture and livestock production. There is evidence that production of high value crops is already increasing in the Western Hills and Terai. Although, productions are limited among the poorest farmers, a shift to more diversified agricultural production system can create jobs and off-farm income in agricultural processing and marketing, input supply and services to related industries. Successfully expanding high value agriculture needs efforts on a number of

fronts, including improvements in technology and markets and infrastructures which will be helpful to reduce poverty.

Nepal has made tremendous strides in providing access to basic education specially for girls, people living in the poorest regions and the poor. If these trends continue and policy to enroll the 1.3 million out-of-school children is successful, Nepal will achieve MDG for universal primary enrollment by 2015. But gains in secondary and tertiary enrollment and literacy continue, Nepal should also reach gender parity at levels of the education system as well as in literacy. Although school completion rates are increased, the level and pace of increase is not sufficient to meet the MDG on school completion.

UNDP, Nepal Human Development Report (2009) emphases that human poverty is more than income poverty and people are poor not only because of low income, rather because of their low access to opportunities or their participation in them. The report shows that HPI value for Nepal is estimated at 35.40 a figure fairly close to the HPI (38.10) reported in the global human development report 2007/08. Like other indices, HPI varies by areas, regions and sub-regions. Human poverty is higher in rural areas and the Mountain belt, it is highest in Western Mountain, and in the far western Hills---1.6 times higher than that of central Hills, where HPI is lowest. The report shows that Human development improved at the national level, but showed high variation among areas.

The population of Mountains ranked lowest and the Hills highest, whether capability or deprivation used as the base of human development measurement. By development region, the people of mid-region showed lower HD levels; the situation of women was also worse. Despite general improvement, rate of change of the indices varied disproportionately across the areas and were generally higher in those already better off. However, the GDI improvement rate was higher in the remote, mid- and far Western Mountains, mainly because of the very low status of women in those areas.

Todaro and Stephen (2009) in 'Economic Development' described about rural poverty that the rural poor are that they are disproportionately located in rural areas, that they are basically engaged in agricultural and related activities, that they are more likely to women and children than adult males, and that they are often concentrated among

minority ethnic groups and indigenous peoples. They argue that the data from the broad cross section of developing countries support these generalizations. They present that in Africa and Asia, about 80.00 per cent of all targeted poverty groups are located in rural areas, as are about 50.00 per cent in Latin America.

They noted about the rural concentration of poverty that the large share of most LDC government expenditure over the past quarter century has been directed towards the urban area and within that area toward the relatively affluent model manufacturing and commercial sectors whether in the realm of directly productive economic investment or in the field of education, health, housing and other social services, this urban modern-sector bias in government expenditure is at the case of many of the development problems. The disproportionate numbers of very poor who reside in rural area, any policy design to reduce poverty must be directed to a large extent towards rural development in general and the backward agriculture sector in particular.

The Oxford Poverty and Human Development Initiative (OPHI) and United Nations Development Programme (UNDP) (2010) launched a new poverty measure which is "multidimensional" picture of people living in poverty. This new measure known as Multidimensional Poverty Index (MPI) assesses a range of critical factors which are assumed as deprivations at the household level: from education to health outcomes to assets and services. The measure reveals the nature and extent of poverty at different levels: from up to regional, national and international level.

According to this report the percentage of MPI poor households are 0.647 percentage of income poor on the basis of $1.25 a day are 55.00 per cent and $2 a day are 78.00 per cent in Nepal. The MPI is based on ten indicators to measure poverty in three dimensions: education (schooling, child enrolment), health (child mortality, nutrition), and living standard (electricity, sanitation, drinking water, floor, cooking fuel and assets).

Conclusions

Most previous studies relating to poverty in Nepal reviewed here are either rural centered or are urban oriented. They have not made comparative study of rural and urban poverty. Nepal consists of rural and urban areas and without a comparative

study of rural and urban area the research remains incomplete from the view point of macro perspective. In most of the literature, poverty is considered as a rural phenomenon but in actuality poverty is both a rural and urban phenomenon. The general view is that the rural area has high degree of poverty and the urban area has less degree of poverty. Urban poor have faced highly complicated life due to prevalence of money economy and lack of enough amount of money. So the urban poor are facing a very hard life.

Therefore, the conclusion is that it is impossible now in the twenty-first century to have an anti-poverty strategy without an urban-rural dimension. Indeed the thrust of this research is to suggest that it is impossible to have poverty strategies without a consideration of rural and urban dimensions.

CHAPTER IV
METHODOLOGY

The present research work is descriptive as well as explanatory and is mainly based on primary data and information collected by conducting field research. The study area is Hattibangi VDC and Siddharthanagar Municipality of Rupandehi District (Appendix IV). Secondary data and information are also used wherever relevant to supplement and complement the primary data and information.

4.1   Theoretical Framework

There is a controversy on how the information on poverty and consumption expenditures should be collected and aggregated in the form of poverty measures. This issue has received a great deal of attention and a number of studies (Foster et al. 1984, Atkinson, 1987) have been conducted on the issue. The most commonly used poverty measures are the poverty incidence, depth of poverty and severity of poverty. These are the three poverty concepts used in this study.

4.1.1   Poverty Incidence

Poverty incidence is measured by head count ratio, which is the proportion of a population that lives below the poverty line. The poverty line is the minimum level of per capita income deemed necessary to achieve an adequate standard of living in a given country. The common international poverty line has been roughly U.S. $ 1 a day. In 2008, the World Bank came out with a revised figure of $ 1.25 a day at 2005 purchasing power parity. Determination of poverty line is usually done by estimating the total cost of all the essential resources that an average human adult consumes in one year. This approach is based on the minimum expenditure needed to maintain a tolerable life. The formula used for computing headcount ratio is as follows:

$$H = \frac{q}{N} \quad .... (1)$$

where, q = number of people 'below poverty line' and

N = total population

The head count index (H) is given by the percentage of households or population who

live below the poverty line per capita consumption. This can be interpreted as a measure of "incidence" of poverty. The measure has the advantage of easy interpretation but it tells us nothing about the depth or severity of poverty.

4.1.2 Poverty Gap

The poverty gap index (PG) is defined by the mean distance below the poverty line as a proportion of that line (where the mean is formed over the entire population, counting the non poor as having zero poverty gap). One can interpret this as a measure of 'depth' of poverty. The formula used for computing poverty gap is as follows:

$$ PG = \frac{1}{N} \sum_{i=1}^{q} \left[(z - \frac{yi}{z}) \right] \quad \text{.................................. (2)} $$

where,

N = Total Population

q = No. of Poors

z = Poverty line

yi = Expenditure of the ith household

4.1.3 Squared Poverty Gap

The squared poverty-gap index (SPG) of Foster, Greer and Thorbecke (1984) is defined as the mean of squared proportionate poverty gaps (again the mean is formed over the entire population counting the non poor as having zero poverty gap). This reflects the "severity" of poverty in that it will be sensitive to inequality amongst the poor.

The formula used for computing squared poverty gap is as follows:

$$ SPG = \frac{1}{N} \sum_{i=1}^{q} \left[(\frac{z - yi}{z}) \right]^2 \quad \text{.................................... (3)} $$

All three measures are function of mean consumption (μ) of each subgroup normalized by the poverty line (z), and the Lorenz curve for the distribution of

consumption. So we can write the poverty measures in the generic form p(μ/z, L) where L denotes all the parameters of the Lorenz curve.

The widely used formula to work out all three aspects of analysis is as follows:

$$p_{a} = \frac{1}{N} \sum_{i=1}^{q} \left[\left(\frac{z - yi}{z} \right) \right]^{a} \quad \text{...(4)}$$

where,

p_a = the level, depth and severity of poverty

4.2   Computation of Poverty Line

The methodology used in this study is the NLSS II (2003/04) poverty line of annual household expenditure of Rs. 7418.4 for rural and Rs. 7901 for urban areas. The recommended per capita calorie consumption is 2,144 based on total calorie requirement of 2003/04 adjusting for changes over time in Nepal's demographic composition (CBS, 2005:55). The inflation over the years is accounted for by updating these poverty lines for 2006/07 with the consumer price index published by Nepal Rastra Bank in its Quarterly Economic Bulletin (2008). The poverty line thus computed for the year 2007.

Table 4.1

Computation of Poverty Line

Area	NLSS II poverty line			Consumer price index			Poverty line*		
	Food	Non food	Total	overall	Food	Non food	Food	Non food	Total
Rural	4308.4	3110	7418.4	156.9	149.2	166.4	5278.656	3711.815	8990.47
Urban	4919.2	2981.9	7901.1	189.9	182.8	198.6	6027.009	3558.926	9585.94

*poverty line = (food poverty line × CPI food 2006/07/CPI food 2003/04) + (Non food poverty line × CPI non food 2006/07/CPI non food 2003/04).

Source: NRB (2008) Quarterly Economic Bulletin, NLSS (2003/04) and authors computation.

Poverty rates have been calculated in terms of some selected socio-economic attributes, such as caste /ethnicity, gender, education, marital status, demographic composition, occupation, food sufficiency and credit situation and elasticity of expenditure on food and non-food with respect to poor and non-poor.

4.3   Standard Errors

Standard errors have been calculated to assess whether the estimated indices are statistically significant or not. The formula used for the calculation of standard error is as follows:

$$SE = \sqrt{\frac{P_o(1-P_0)}{n-1}} / \sqrt{n} \quad \text{... (5)}$$

Where; P_0 = Poverty head count rate

n = No of observation

The term P_0 is to be replaced by P_1 for estimating standard error of poverty gap and by P_2 for estimating standard error of squared poverty gap in equation 5.

4.4   Chi-square Test

Chi-square test is a non-parametric test for testing the independence of the nominal variables.

Calculating the Test-statistic

Due to categorical data, χ^2 test is applicable for this study. The χ^2 (Greek letter χ^2 Pronounced as Ki-square) test is a method of evaluating whether or not frequencies which have been empirically observed differ significantly from those which would be expected under a certain set of theoretical assumptions (Bhandarkar and Wilkinson, 1999). Pearson's chi-square is used to assess: tests of goodness of fit and tests of independence.

The value of the χ^2 test-statistic is computed by the following formula:

$$\chi^2 = \sum_{i=1}^{n} \frac{(O_i - E_i)^2}{E_i} \quad \text{...(6)}$$

where,

χ^2 = Pearson's cumulative test statistic, which asymptotically approaches a χ^2 distribution.

O_i = an observed frequency;

E_i = an expected (theoretical) frequency, asserted by the null hypothesis;

The above test statistic is distributed as χ^2 for large n (no. of observations) with (r-1)(c-1) degrees of freedom.

r = no of rows, c = no of columns

If the p value of the calculated χ^2 is less than 0.05 the null hypothesis is rejected and if greater than 0.05, the other way round.

4.5 Lorenz Curve

Lorenz curve is a graphical representation of inequality in the distribution of income and wealth (Kanel, 1993). The degree of inequality is shown by plotting the cumulative percentage of population as against the cumulative percentage of income or consumptions. A straight line rising at an angle of 45 degree from the start on the graph will indicate perfect equality; for instance, if 10 percent of people receive 10 percent of total income, 40 percent of people receive 40 percent of the total income and so on then there will be linear relationship. However, if smaller proportion of people receives larger proportion of total income the distribution of income will be unequal. When such a distribution is plotted, a curve will be traced below the 45 degree line and the degree of curvature will be greater, the greater the inequality (Gini Coefficient).

Gini Coefficient (GC) measures the inequality in the income, consumption and distribution of income or wealth and it is calculated as:

For ungrouped data

$$GC = \frac{2}{n^2 \bar{Y}} \left[Y_2 + 2Y_2 + \ldots\ldots\ldots + NY_2 \right] - \frac{1}{n} - 1 \ \ldots\ldots\ldots\ldots (7)$$

Where,

$Y_1 \geq Y_2 \geq \ldots\ldots\ldots \geq Yn$

GC = $(0 \leq G.C. \leq 1)$

N= Number of Income receiving units

Y_i and $\overline{Y}$ = Percentages of income received by each income receiving units.

For grouped data

$$\text{G.C.}= \frac{1}{(100)^2}\left[\sum X_1 Y_{1+i} - \sum X_{i+1} Y_i\right] \dots\dots\dots\dots\dots\dots (8)$$

Where,

X_i = Cumulative percentage of class interval of groups

Y_i = Cumulative percentage of income received by income receiving unit

If the value of G.C. approaches to one, there is greater extent of inequality and if it approaches to zero, there is lesser extent of inequality in the distribution of income. Zero value of G.C. implies that there is perfect equality in the distribution of income.

4.6   Expenditure Elasticity

In this study, average and marginal propensities of expenditure as well as expenditure elasticity on food and non-food of poor and non-poor have been estimated to find out whether the poor have higher marginal as well as average expenditure and high expenditure elasticity on food as compared to non-poor. Economic theory says that poor households because of their low level of consumption have higher expenditure propensity on food. It is a common practice to use household income in the estimation of expenditure propensities and elasticities. However, income data obtained from the households are not reliable because of the tendency to underreport income. Therefore, total expenditure is used as a proxy for household income. The functional form is multiplicative which was converted into additive log transformation.

$$E_F = \beta_0 . T_E^{\beta 1} . e^u \dots\dots\dots\dots\dots\dots\dots\dots (9)$$

Log transformation of the equation (9), we have

$\ln (E_f) = \ln (B_0) + \beta_1 \ln (T_E) + u$

Estimate of B_1 measures elasticity.

Which is estimated by Ordinary Least Squares method (OLS)

Where , E_F= expenditure on food

T_E= total expenditure

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<div align="center">u= error terms</div>

4.7 Sample Design

4.7.1 Sample Size

The sample size of the study was determined by using the following statistical formula (UN, 2005).

$n_{h,=}$ (z^2) (r) (1-r) (f) / (e^2) .... (10)

where n_h = sample size

Z =   the level of confidence. which is 1.96

r =   estimate of a key indicator to be measured by the survey, which is 30.00 percent, which is the poverty rate estmiated by the NLSS 2003/04.

f =   sample design effect, assumed to be 1.0 (default value)

e =   is the margin of error, which is 0.05.

In this case random sample is considered so design effect and design variable are constant.

The level of confidence is assumed to be 95 percent (0.05 level of significance with the value of 1.96 for two-tailed normal distribution), the main parameter being the proportion of poor derived from NLSS 2003-04 national results of 30.00 percent (0.3) and error of margin allowed at 5 percent (0.05). Using the above formula for the sample size of households turns out to be 323. This number is taken as the sample size each for rural and urban areas.

4.7.2 Selected Areas

Rupendehi district which lies in the western development region was selected for field survey. This district has 69 Village Development Committees and two Municipalities. Of the two Municipalities, Siddharthanagar Municipality was selected to represent the urban areas and of the 69 VDCs, Hatibangai VDC was selected to represent the rural areas. There are no distinct differences in terms of level of development and social as well as physical infrastructure between the two Municipalities. So, one Municipality can be taken as a representative of the other Municipality. In the case of VDCs the

geo–physical structure and settlement pattern are fairly homogeneous. Hence any one VDC can be taken to be representative of all the VDCs.

All the VDCs are in plain area and have similar land use pattern. The main cereal productions are paddy, wheat and sugarcane in some VDCs. The settlements also have similar characteristics excepting these lying on the side of the road, which have relatively high access to road transportation and relatively higher level of economic activities. The VDC selected for the study is crossed by Bhairahawa Lumbini road. So the VDC is representative of the VDCs of the district.

4.7.3   Allocation of Sample

The sample was allocated to all the 13 wards of the municipality and 9 wards of the VDC in proportion to the size. The household numbers are taken form population census 2001. The sample account for 32.80 percent of the total households of the VDC (985 HHs) and 3.43 percent of the households of municipality (9419 HHs). A household is defined as a group of people who normally live and eat their meals together (CBS, 2002:5).

Table 4.2

Wardwise Sampled Household

Area	Ward	Total HHs	Sampled HHs	% of Total Sampled HHs	Cum.
Rural	1	163	56	8.67	8.67
	2	94	31	4.8	13.47
	3	84	29	4.49	17.96
	4	206	70	10.83	28.79
	5	110	36	5.57	34.36
	6	90	28	4.33	38.69
	7	73	22	3.41	42.1
	8	74	23	3.56	45.66
	9	91	28	4.33	50.00
Urban	1	848	30	4.64	54.64
	2	465	16	2.48	57.12
	3	892	32	4.95	62.07
	4	749	27	4.18	66.25
	5	247	9	1.39	67.64
	6	1051	38	5.88	73.52
	7	726	24	3.72	77.24
	8	1441	52	8.05	85.29
	9	1031	33	5.11	90.4
	10	389	12	1.86	92.26
	11	297	9	1.39	93.65
	12	532	16	2.48	96.13
	13	751	25	3.87	100.00
Total		10404	646	100.00	

Source: Population Census, 2001.

The head of the household is the member (male or female) in the household acknowledged as head by the other members. The head is usually responsible for household affairs. The person in the household who has primary authority and responsibility in managing household affairs and who knows the most about other members of the household is regarded as the head (CBS, 2002:5).

4.7.4 Sampling Frame

The list of households maintained by the municipality and the VDC for their respective areas was used as the sampling frame.

4.7.5 Sampling Technique

The sampling technique used in this research study was probability random sampling without replacement.

4.7.6 Survey Instruments

Structured questionnaire was developed and administered to the selected households. The questionnaires were designed to gather data and information in consonance with the objectives of the study. The questionnaire contained household level information on consumption, income, assets, housing, educational status and available facilities etc were included.

4.8 Secondary Source

Secondary data and information have also been collected from various sources and used in this research study. The secondary data were collected from the official records of Western Development Bank Butwal, Siddharthanagar Municipality Office and Hatibangai VDC office, District Development Committee Rupandehi and publications of National Planning Commission (NPC),World Development Report (WDR), Ministry of Finance (MoF), Nepal Rastra Bank (NRB), Tribhuvan University Central Library (TUCL), Action Aid Nepal, SAARC secretariat Kathmandu Centre for Economic Development and Administration (CEDA), Central Bureau of Statistics (CBS), Lumanti and other related articles, journals and books.

4.9 Survey Period

The survey was conducted starting from the month of November 2006 and was completed by the end of February 2007. Thus about four months time was needed to complete the field work.

4.10 Data Processing and Analysis

Data are analyzed and presented in the form of tables, and figure. Standard error is calculated and the hypotheses are tested for the main variable. Highly sophisticated mathematical model has not been used in this study. Instead, cross tables are used. Poverty headcount rate, squared poverty gap, distribution of the poor and population are calculated with every aspects of poverty using poverty measures described as in the methodology.

Computer software SPSS and Stata 10 was used to process and analyze the collected data.

4.11 Descriptive Statistics

Descriptive statistics of major background variables have been computed which are given in Appendix III. Among the total household heads 90.20 percent were male head while the remaining 9.80 percent were female household head. Regarding literacy of the household head, 28.80 percent were illiterate while the remaining 71.20 percent were literate. Further, 13.50 percent use rented house while the remaining 86.50 percent use their own house and the building condition shows that 66.80 percent of the house are RCC constructed while the remaining 32.20 percent are non-pakki or temporary. The land ownership status shows that 71.70 percent are landless while the remaining 28.30 percent have land.

CHAPTER V
RURAL – URBAN NEXUS

5.1   Meaning

The distinction between "rural'' and "urban" is probably inescapable for descriptive purposes. However, it often implies a dichotomy which encompasses both special and sectoral dimensions. In census and other similar statistical exercises, rural and urban populations are usually defined by residence in settlements above or below a certain size (Tacoli, 1998:147). The common indicator which is used in both the developed and developing countries in the size of population. But there is no universally accepted size of population.

Agriculture is assumed to be the principal activity of rural populations whereas urban dwellers are thought to be engaged primarily in industrial production and services. In reality, however, things tend to be far more complex: the ways in which nations define what is urban and what is rural can be very different; the boundaries of urban settlement are usually more blurred than portrayed by administrative delimitations, especially when towns' use of rural resources is considered; population movement, especially temporary and seasonal migration is not usually reflected in census figures and can make enumerations of rural and urban populations unreliable; finally, a large number of households in urban areas tend to rely on rural resources and rural populations are increasingly engaged in nonagricultural activities.

5.2   Theoretical Framework of Urban and Rural Interrelations

Rural-urban nexus have recently become the focus of renewed interest among policies makers, planners and researchers. Based on demographic and economic criteria on which definitions of urban and rural areas vary widely between different nations, which make generalization more problematic. In case of Philippines, urban areas are defined by the national census as all settlements with a population density of at least 500 persons per square kilometer (the national statistics office, 1992). Further there should be a parallel or right angled street pattern; at least six commercial, manufacturing or similar establishments; at least three of the following; a town hall,

church or chapel; a public plaza, park or cemetery; a market place or building where trading activities are carried out at least once a week; and a public building such as a school, a hospital or a library and administrative units with at least 1,000 inhabitants, where the majority is not occupied in farming and/or fishing, are also considered urban centers (Tacoli, 1998:147-48).

In Benin, with a population of 10,000 inhabitants or more, and with at least four of the following; post office, tax office, public treasury, bank, running water supplies, electricity, health centre and secondary school is defined as urban center. Population density and the proportion of non-agricultural activities are not considered. This is the common case in sub-Saharan Africa. In most Latin Amerian and European nations it can be as low as 2000 and 2500 or even just a few hundred inhabitants. Thus the criteria for defining urban centers differ from region to region (Jnawali, 2004).

The main concept of rural-urban nexus in the 1990s is to decentralize the administrative functions due to the increasing pressure from the international financial institutions and the donor community for political democratization and state reform. In many countries, this process is not free from contradictions between the theory and implementation of decentralization, and the local authorities are facing significant problems in escaping control and interference from the central government and in realizing financial and administrative autonomy. Pressure for fiscal stabilization and market liberalization would raise food prices, reduce public expenditure and employment, and curtail poverty programmes (Liption and Revallion, 1993:16).

Regarding the rural-urban linkage Rondinelli, (1985) has classified seven rural urban linkages such as physical, economic, technological, population movement, social, service delivery, and political. Similarly, Unwin (1989) defines four types of possible linkages such as economic, social, political and ideological.

The rural and urban areas are like the two facets of a coin and this linkage is a fundamental component of regional development. The statement is based on a balanced rural and urban development in developing countries lies in a strong supportive rural- urban nexus. Majority of the population of developing countries live in rural area and a small part of it lives in urban area. The development of market is the base for rural urban nexus. Regarding the theoretical concept of rural urban nexus

the basic unit in the central place system is a settlement system which is defined in two methods. The first is related to central settlement which is in central place of a region. The second is the dispersed places, which are not central settlements. The norm of balanced economic development of a country depends on a combined supportive rural - urban nexus.

Urbanization is as a back force for the transformation of pattern and styles of living both in rural-urban areas. Thus, the development of urban area is considered as an integrated part for the utilization of resources and then improving living standard of the rural area. A major portion of population in Nepal lives in rural area. As of the final result of the census of 2001, total population of Nepal on the dawn of the 22nd June 2001 is 23,151,423. Based on the same result the country's urban population is 3,227,879 and the rural population is 19,923,544. The share of urban population is 14.20 percent (CBS, 2001).

Rural-urban nexus is an inclusion of resource utilization system of rural area, structure and function of urban centre and their distribution and basic infrastructure link of rural urban areas. Transport and communication are key infrastructures to link between rural and urban areas. They work as a bridge for demand and supply side. These infrastructures play a vital role for the proper use of local available resources. Therefore, rural and urban areas are combined together through road network and communication. Further, market is also a link to connect between these two areas.

If basic facilities are easily available in terms of time and travel cost, it will be more helpful to the balanced development of a country. Instead of it, if basic facilities are available with high travel cost and consuming more time, it affects badly to the rapid growth process of a country. Development of urbanization is a pre-condition to the transformation of rural economy. It helps to improve the economy of rural area. It is advocated that the rural-urban linkage is an integrated concept to promote balanced and supportive rural-urban development.

The nexus between rural and urban areas has been changed in the process of rapid development of towns. After the industrial revolution (1750-1850), which took place especially in the Western Europe, had radically changed the pattern of agriculture farming technique, transport and communication. Furthermore, the change was also

seen in sanitation, water supply and sewage disposal which was the outcome of improved technology.

The urban area depends on rural area for raw materials used in manufacturing process. But rural area is depending on the investment of capital of urban area. Food supply of rural to urban is a major element of linkage between rural and urban areas. Food can keep in urban area more secured through the use of refrigeration.

The concept of nexus should treat as a relation to the degree of problem and the condition of the area under study. The condition of nexus depends on regional and economic development of the related area.

5.3 The Role of Urban Area in Rural Development: A General Review

Urban areas can play a key role by linking rural area with both domestic and international markets and providing the rural population with non-farm employment opportunities and develop the local economy. In the 1950s and 1960s, small towns were generally playing an important role in development as the centers from which innovation and modernization would trickle down to the rural populations. A recent contribution to this positive view was the development of the concept of urban functions in rural development (Rondinelli and Ruddle, 1978) for which the most effective and rational spatial strategy for promoting rural development is to develop a well articulated, integrated and balanced urban hierarchy (Tacoli, 1998 : 153).

Regarding the nexus scenario of the study area, there is physical connection through transport network by road service. This linkage is an important nexus which plays a vital role for the integration of human activities. Transport linkage is equally important to the ecological interdependence. The surplus productions of rural area are carried out to the urban area through this network. Similarly, communication linkage has facilitated the process of rural urban integration by transferring new information required for socio-economic development. Some of the timber and firewood are carried in the urban from the rural area. Firewood is considered a major source of rural energy. This ultimately affects in the environmental degradation, soil erosion and landslides. This process affects low land. On the other hand, fertilizers, insecticides and pesticides used by farmers affect ground water.

Economic linkage is an important tool for the development of a country by integrating rural urban areas. Marketing system, flow of raw materials, intermediate products, consumer goods and capital flow connect both the areas. The labour supply of rural to urban has connected strongly. More unemployed people of the rural area come to sell their labour in the urban area. Most of them are unskilled labour.

Agricultural production is carried to sell from rural to urban. Most of the agricultural production of rural area is supplied to urban area. Market is the centre for an exchange of such products. Different intermediate products are supplied to urban from rural areas. These intermediate products will make final product in the urban areas. This process helps urban economy to grow more rapidly. The marketing channel is the key sector of the linkage for the flow of goods from production to final consumption. The process of exchange of goods takes place especially from the urban areas.

The technological development which operates first in urban area comes slowly to rural area, and it links these two areas strongly. Communication network and many other new technique of production of the urban areas help to connect the rural area. Rural farmers utilize different modern techniques of production like tractor, fertilizer, and insecticides provided by the urban areas.

There is social nexus between rural and urban areas. People especially in urban areas are mixing each other by settlements. People from the rural come to urban area both short and long term. People get mixed socially by marriage and other relations. Such socio-cultural connection helps to make strong the rural urban relation. Social change takes place rapidly with the emergence and developing of towns. Certainly, more opportunities and facilities are available in urban area in relation to rural area. Job opportunities and other available facilities attract more people in an urban area from the rural area. People migrated from rural area are more laborious and creative. Since, there is a great contribution of rural migrated people to make urban area more developed. They work hard in urban area to improve their living standard by earning more money. It helps the economic development of both the areas. Such an interaction of people in rural urban areas also helps to share the ideas among them and making broaden the dimension of mind.

New fashion, culture and the changing style of life of urban sector have an impact on rural areas. This also affects to increase new demand pattern of rural people. New information is available from urban to rural regarding the way of life. This is also helpful to reduce the regional imbalance of the country where there is extremely dualistic nature of the economy.

Land ownership pattern has also a connection between rural and urban areas. Most of the landlords having more land remain in urban area. Their land is located especially in rural areas where tenants remain. A lot of tenants are related with few landlords. This is also the result of unequal distribution of land as few people have more land and more people are having less land or having no land. The rural socio-economic structure and power of the people depends largely on the method of land ownership. Marginal farmers want to migrate from rural to urban to earn more and to increase the level of income and living standard.

Migration from the rural to the urban has dual effects. On the one hand it adds pressure of over population in urban sector and it lacks working force to rural area which ultimately helps to decrease agriculture production and farming. This process is increasing now in the rural area of our country.

On the other hand, there are some places where there is excessive pressure of population on land; out migration from such area has a positive effect on land. That is why excessive dependency on land reduces per capita production and marginal productivity. In such a situation the surplus labour of the land can increase their marginal productivity by their transfer or from agricultural to non-agricultural sector. And the remaining labour forces of the agriculture sector will certainly increase the productivity. So, rural urban migration has an important role to play in rural urban nexus.

Financial linkage is more important by the view point of any country. Most of the financial institutions are located in urban areas and they collect financial resources through rural urban areas. For most of the raw materials and intermediate goods and for food, financial resources are transferred from urban to rural areas whereas for the final and consumer, these resources mobilize from rural to urban. Large amount of capital is centralized in urban areas. However, capital transfer from rural to urban and from urban to rural through market channel is practiced.

Organizational channel links both the areas. A lot of government and non-government organizations are situated in urban areas. The urban area is also the headquarters of the rural area. A large number of financial and administrative organizations are located in urban area where there is a direct relation of rural area under urban area.

Furthermore, information flow is the basic needs to the transfer of capital, labour, goods and services and technologies. These components help to the development of rural area.

Regarding the rural-urban nexus of the study area, they both are connected geographically by border. This scenario proves that there are many more close relations between these two rural urban areas. They both are nearly connected by road network. A well equipped Bhairhawa-Lumbini highway links Hatibangai Village Development Committee with Siddharthanagr Municipality. The road link has connected many things within these two areas. Most of the people of the VDC use Siddharthanagar as a major workplace.

Officials and other laborers come to urban from rural for their duty. Most of the farmers supply their surplus production to urban through market mechanism; and they bring their necessary goods from urban.

Regarding the education system, there are a lot of both government and private educational institutions in urban centre. Most of the students come to urban for education due to lack of required educational institutions in the village. A large number of businessmen and industrialists come to the urban to operate their business daily. Many government and private institutions are providing services to rural people from urban area. Health facilities are available more in urban than in rural. So a lot of people come to urban for treatment daily. Agricultural production both food crops and cash crops are supplied from rural to urban.

Urbanization is considered as a powerful tool to poverty reduction. It moves workers from low productivity jobs in rural areas to higher productivity activities in urban areas. Urban areas have significantly lower levels of poverty than rural areas. Urbanization is also an important factor for changing social relations between advantaged and disadvantaged ethnic population group as discrimination is considered less in urban areas.

5.4   Definition of Rural-Urban Area in Nepal

The distinction between urban and rural areas is based on the official classifications made by the government. At the time of the 1991 population census, there were 33 Municipalities. One of them (Kathmandu) was designated as a Metropolitan city and three other (Lalitpur, Pokhara and Biratnagar) were as Sub-metropolitan cities. After the census, three Municipalities were designated in 1992, and 22 more in 1997, thus making a total of 58 Municipalities in 1991. These Municipalities are considered as urban areas in Nepal. Besides, there are 3913 designated VDCs in the country which are treated as rural areas (CBS, 2001/2002: 6).

Nepalese Municipal towns are defined on the basis of population size. In 1952, ten towns were defined as Municipalities having a population more than 5,000. The 1961 census, provided the first formal definition of an urban area, which designated 16 Municipal towns having a population size of 5,000 and some additional features such as college high school, bazaar, administrative offices, communication facilities, mills, factories and so on (CBS, 1967). The Nagar Panchayat Act 1962, officially defined 'Nagar Panchayat' for designated urban areas which made an urban administrative unit as distinct from the so called 'Gaun Panchayat' which represented village area. Since 1962 the urban area has been treated as a local self government unit. According to the act it was necessary to have a population size of 10,000 and over for a locality to have a Municipal status and accordingly, not all urban areas designated in 1961 received Municipal status. Based on the population size set by the act, 16 urban localities were classified as Nagar Panchayat in 1971, though the population size did not meet the requirements (Pradhan, 2004). Out of these 16, four municipal towns viz Bhadrapur, Ilam, Rajbiraj and Tansen had a population less than 10,000.

The concept of population size required for a Nagar Panchayat was again changed in 1976. The minimum population size was fixed at 9,000 in order to provide Municipal status to all regional development centers and zonal headquarters of the country. Accordingly, 11 out of 14 zonal headquarters received municipal status. Some of these did not have municipal status in 1971. The 1981 census classified 23 urban areas as Nagar Panchayat, with a population of over 9,000. By 1983, six new Nagar Panchayats were added and reached the number of urban areas to 29. The number of designated Municipal towns reached 33 in 1991. After democracy in 1991, the

Panchayat system and associated concepts were replaced by new ones (Pradhan 2004).

The Municipality Act 1992 changed the system of naming urban areas from Nagar Panchayat to 'Nagarpalika' or Municipality. In 1994, the designated urban areas of Nepal have been classified into three levels such as metropolitan, Sub-metropolitan and municipality based on population size, annual revenue and so on. Accordingly, Kathmandu Municipality was classified as metropolitan city and other three municipalities such as Lalitpur, Biratnagar and Pokhara were classified as sub-metropolitan cities. Birgunj municipality later joined with the Sub-metropolitan cities making the number 4. By 1996, the number of urban areas of designated as Municipalities reached 58 in total. The local Self Governance Act 1999 has defined any locality having a population of at least 20,000 and with electricity, road, drinking water, and communication facilities as Municipal areas and for the Hill and Mountain region, the minimum population size for any locality to be designated municipal area has been set at least 10,000 together with those four facilities. In the budget speech of 2011/ 12, the government of Nepal has declared 41 new Municipalities. Thus there exist a total of 99 municipalities in the country.

The system of designating urban areas in Nepal has some peculiarities. The population size is the single most dominant criterion to define urban areas, which too is often changed and the other criteria such as population density, occupational structure, etc have never been used in designating urban areas. The Nagarpalika boundary also is often changed; mostly annexing the surrounding area. The concept of urban area or Nagarpalika is considered as a political, administrative and census enumeration units. This, in fact, has made it difficult to identify settlements as functional units. Places such as market towns, trade centers, and other centers of religious, cultural and tourist importance that perform intermediate and lower central place functions are excluded from the urban hierarchy. Therefore, the analysis of designated urban areas does not reflect the total distribution of functional urban places in Nepal.

5.5 Poverty in Nepal: A Rural – Urban Context and Available Facilities

In terms of distribution of the poor across rural urban areas although, the poverty rate in urban areas declined 3 times faster than in rural areas, the concentration of the poor in urban areas actually increased from 4.00 to 5.00 per cent of all poor. This higher concentration is due to a two fold increase in the urban population during the study period. The poverty between rural urban area, development region and ecological belt is given in Table 5.1.

Table 5.1

Poverty by Geographical Region

Geographical Region	Poverty head count rate (%)		
Sector	1995/96	2003/04	% Change
Urban	21.60	9.60	-56.00
Rural	43.30	34.60	-20.00
Regions defined by NLSS			
Kathmandu	4.30	3.30	-23.00
Other urban	31.60	13.00	-59.00
Rural Western Hill	55.00	37.40	-32.00
Rural Eastern Hill	36.10	42.90	19.00
Rural Western Terai	46.10	38.10	-17.00
Rural-eastern Terai	37.20	24.90	-33.00
Development Regions			
Eastern	38.90	29.30	-25.00
Central	32.50	27.10	-17.00
Western	38.60	27.10	-30.00
Mid-Western	59.90	44.80	-25.00
Far Western	63.90	41.00	-36.00
Ecological belt			
Mountain	57.00	32.60	-43.00
Hill	40.70	34.50	-15.00
Terai	40.30	27.60	-32.00
Nepal	**41.80**	**30.80**	**-26.00**

Source: Poverty Trends between 1995/96 and 2003/04.

In 2003-04 the largest share (44.80 per cent) of the total number of poor people in Nepal resided in Mid-western region. This is an appreciable change from 1995/96,

when rural Western Hill housed a third of all poor, the highest concentration in that year both a rapid reduction rural Western Hill's head count poverty rate and a significant reduction in the proportion in population residing their contributed to the region's change in ranking.

In terms of distribution of the poor across Development Regions, the Central Region continues to house the greatest number of poor while having a poverty incidence below the national average. The Mid-Western and Far-Western Region have higher level of poverty 45.00 and 41.00 per cent, respectively, but on account of low population density, house only 18.00 and 10.00 percentage of all poor respectively in terms of distribution of the poor across the belt, the Hills and Terai have roughly similar proportion of poor people - 47.00 and 45.00 percentage respectively with the Mountains accounting for 8.00 percentage.

Poverty and inequality are declining more rapidly in Nepal over the 8-years period from 1995/96 to 2003/04. Further all these measures of poverty show poverty in the urban areas declining faster than in the rural areas both in terms of depth and severity of poverty. This clearly shows that poverty in Nepal is more a rural phenomenon.

5.6 Comparison of Available Facilities

A comparison of NLSS first and second reports indicates that the basic indicators contributing to reduce poverty has undergone a significant improvement during the two periods. Indicators such as the percentage of households reporting less than adequate food consumption, clothing, health care and schooling have gone down in NLSS second as compared to NLSS first indicating improvements between the two periods. Similarly, remarkable improvements are noted in health, education and other infrastructural access contributing to the decline in the level of poverty during the period which is presented in Table 5.2.

Table 5.2

Comparison of NLSS Results

Percent of Households Reporting Less Than Adequate	NLSS-I	NLSS-II
Food Consumption	50.90	31.20
Housing	64.10	40.60
Clothing	57.60	35.60
Health Care	58.70	28.30
Schooling	45.40	21.40
Total Income	72.60	67.00
Adult Literacy (15+)		
Male	35.60	48.00
Female	19.40	33.80
Net Enrolment in Primary School		
Female	46.00	66.90
Children fully immunized	36.00	59.40
Access to electricity	14.10	37.20
Access to piped water	32.80	43.90
Access to toilet facility	21.60	38.70
Households access to facility within 30 minutes		
Primary school	88.40	91.40
Health post/Hospital	44.80	61.80
Agricultural center	24.50	31.90
Commercial Banks	20.70	27.80
Paved road	24.20	37.20
Motorable road	58.00	67.60

Source: CBS, 1996 and 2004.

A comparison of NLSS first and second shows that there have been some improvements in the access of people to the basic services over these years. The study has shown that poverty in Nepal is a combination of many factors, such as high illiteracy, poor health and sanitation, low productivity of food grains, high child malnutrition, poor access to basic services and a feudal social structure. The lower caste and the ethnic groups as well as women in the remote areas bear the major stress of high poverty.

5.7   Health Indicators

There have been some improvements in health indicators of the country. Comparison of the findings of the Demographic Health Survey (DHS) 2001 and 2006 shows reduction in the fertility and mortality rates and increase in contraceptive use rate in 2006.

Table 5.3

Comparison of DHS 2001 and 2006

Demographic Indicators	DHS 2001	DHS 2006
TFR	4.10	3.10
CBR	33.50	28.40
CPR Any Method	39.30	48.00
CPR Any Modern Method	35.40	44.20
Neonatal Mortality	39.00	34.00
Post Neonatal Mortality	26.00	16.00
Infant Mortality Rate	64.00	51.00
Child Mortality	29.00	15.00
Under-five Mortality	91.00	65.00

Source: Nepal Demographic and Health Survey 2001 and 2006, Ministry of Health and Population.

The result of 2011 Nepal Demographic Health Survey (DHS) shows the Total Fertility Rate (TFR) calculated for the three years preceding the survey is 2.6 births per woman age 15-49. Urban-rural differential shows that with rural woman (2.8 births) having an average of over one child more than urban woman (1.6).

Under five mortality for (0-4 years) before the survey or 2006-2010 is 54 deaths per 1000 live births. This means that one in 19 children born in Nepal dies before their 5th birthday, 85 percent of deaths among children under five occur during the first year of life: infant mortality is 46 deaths per 1000 live births. During infancy the risk of neonatal deaths and postnatal deaths is 33 and 13 deaths per 1000 live births respectively (DHS, 2011:9-10).

CHAPTER VI
INTRODUCTION TO THE STUDY AREA

6.1   Hatibangai Village Development Committee

6.1.1   Geographical Situation and Climate

Hatibangai Village Development Committee is located in the southern part of Rupandehi district of Lumbini zone. It lies in the northwestern part of Siddharthanagar Municipality. Hatibangai Village Development committee is situated in between $80^0 10''$ to 83^0 $30''$ eastern longitudes and 27^0 $20''$ to 27^0 $45''$ northern latitudes. It has maximum length and breadth of 13 kilometer and 4 kilometer respectively (Aryal, 1986 : 1). This VDC borders with Dhadhara stream and Siddharthanagar Municipality in the east, Chilliya, Mainahiya and Padsari Village Development Committee in the north, Tinau river in the west and Siddharthanagar Minicipality to the south.

As the VDC is situated in Terai, almost all the land here is plain and extended to 26 square kilometer which is almost fertile land and also good for cultivation. The VDC has not any great forest and barren land .The average height of the land of the VDC is 152 meter from the sea level.

The land is made of soft and fertile soil which is also carried by the Tinau River. There is easy availability of abundant underground water which can be generally found digging only 20 feet deep. There is high possibility of utilization of water resource of the Tinau River for irrigation purpose.

Being in the Terai region, the climate of this area is the same as that of other Terai areas. The VDC has hot weather. It is too hot in the month of April, May and June while in the rainy season the temperature goes down. In the winter season it is warm in the day while it is too cold at night. Weather is clear between November and February months, the scene of Himal can also be seen clearly from here.

The temperature starts to go down from October, and it remains lowest in December and January. The temperature starts to rise from February, and it is maximum in June.

The maximum temperature goes up to 41° centigrade in the summer season. The difference between maximum and minimum temperature remains high in winter season than in summer season. The average maximum temperature is 30.6^o centigrade and average minimum temperature is 18.1^o centigrade. As in other parts of the country, there is heavy rainfall during the monsoon which starts from June and remains till August. The weather remains dry from November to April and even in May. The annual average rainfall is 1588.4 millimeter but sometimes the rainfall is higher than this (Aryal, 1986 : 5).

6.1.2   Natural Resources

Chillhia forest which is the only forest in the area is linked with the VDC, where sal, Sisau, Mango tree, Satisal, Simal etc. are found. Different kinds of wild animals and birds are also found here. Different types of animals are available such as, Chitua, Bandel, Chital, fox, bear and the birds such as Kalich, Dangre, Dhukur etc are found in the forest. The deforestation process is exacerbating on account of the extension of farming land and the export of wood from the forest.

The soil is soft and alluvial on account of the fertile soil and availability of water resource. There is a lot of possibility of intensive farming in the land area. But farmers still practice traditional farming system. A lot of underground water can be used for the agricultural development of this area through deep boring system. Government of Nepal has conducted Bhairahawa Lumbini underground water project.

The Tinau River which flows to western part of this VDC is also the chief river of Lumbini zone. The river is formed by three tributaries namely Tinau, Jhumsa and Dobhan stream all of which flow from Palpa district. The heavy flow of water in the rainy season from Tinau River, flood causes and damages to physical infrastructure, such as road, bridge, canal power house. The damage was savere in 1980/81.

6.1.3   Population

The total population of this VDC is 6722, of which 3474 are males and the remaining 3248 are females (CBS/UNFPA 2002a: 53). The Yadav, Kewat, Tharu, Brahman Hill, Kurmi, Barae, Mallah, Chhetry, Muslim, Gurung, Magar and Lohar are the major caste/ethnic groups of the VDC and their number is 972, 583, 484, 459, 448, 424, 352,

334, 126, 120, 76 and 47 respectively and the remaining are others (CBS/UNFPA 2002 : 86).

Tharu and Yadav are considered as the indigenous people here. Tharu have their own language and culture. The language which they speak is dominated by Bhojpuri and Abadhi while Magadhi and Hindi are not spoken much. They also speak Nepali. They are the indigenous inhabitants but some of them have no land at all.

Tharu males wear Bhoto, Suruwal, Lungi, Pants, shorts and females wear sari, Cholo blouse and boys and girls wear shirts, pants (trousers), and frock respectively. Most of the Tharu's housing is of Kachchi and Semi-pakki and a few has pakki building with RCC. They have the system of early marriage. They spend more in religious work and marriage ceremony. This is the reason why most of them suffer from indebtedness and remain below poverty level.

Yadav are the next indigenous people here, and they are called the ancestors of Shrikrishna and they feel proud to say so. Agriculture farming, including livestock rising is the major occupation of this group and they sell milk and milk products. Further,they have also their own language and tradition and speak Bhojpuri, Abadhi and Magadhi languages. They give more emphasis to the festival such as Shrikrishna Janamasthami; Ahir, Khala and Gohala are the chief groups of Yadav. They all follow Hindu religion. They spend more in the festival and other feast, birth and death ceremonies.

They have the conservative tradition of providing Tilak (a sort of dowry) to bridegroom at the time of marriage. Similarly, dowry system is deeply rooted. So, the daughters of poor people have problem in finding groom marriage.

6.1.4 Language, Culture and Religion

The language here is highly affected by Abadhi, Magadhi and Hindi language. Most of the Tharu speak Bhojpuri and follow Hindu religion. Buddha and Islam are also found here in a very few number. Rakshya Bandhan, Nag Panchami, Bijaya Dashami, Tihar (Dipawali) Phagu Purnima are celebrated. On the other hand Islam celebrates Moharram. Buddha Purnima is celebrated in a very incentive way. There is harmony of religious relations among different religions.

6.1.5 Literacy

The literacy status of the population of 6 years and over is that the total illiterate or who cannot read and write are 2022 and among them the number of male is 534 and the female is 1488. The numbers of people who can only read are 473, among them the number of male is 164 and the number of female is 309. Further, the total number of people who can both read and write is 3145, among them the number of male is 2178 and that of female is 967 and the remaining number of not sated male is 8 and the female is 0 (CBS/UNFPA, 2002 : 186).

6.1.6 Land Ownership

Among the total 985 households, having only agricultural land, only livestock, only poultry, land and the livestock, land and poultry, livestock and poultry, land livestock and poultry and the non of all is 234, 48, 7, 496, 11, 5, 38 and 146 respectively (CBS/UNFPA, 2002 : 81).

6.1.7 Occupation

Among the total households, the number of household engaged in small scale non-agriculture economic activity is 80.

6.1.8 Infrastructure Facilities

This is one of the better areas of western rural Terai from the point of view of road connectivity. Lumbini road passes through this VDC from the middle part. The VDC is also connected with Siddhartha highway through Bhairahawa Lumbini road. In the winter season most part of the VDC has the access to advanced vehicles. Bhairahawa Lumbini road touches this VDC which is black topped road. There is no drainage system. So, the rain water would be uncontrolled. Small bridges are found over the streams.

With regard to communication, the VDC has a Chhoti Hulak and a number of private and public telephone booths. Newspapers published from Nepal and India is also available here. Being close to Bhairahawa airport various newspaper like Gorkhapatra, Kantipur, The Rising Nepal and Kathmandu Post are available timely in this VDC.

Electricity is available in the VDC. However, some house-holds are not using electricity due to poverty. Cow dung, bio-gas, LP-gas, wood, kerosene and hydro are the main sources of fuel used here.

6.1.9 Public Places

There is a temple in Basdilwa village of this VDC. During Shivratri a lot of pilgrims come to the fair at Lumbini, a world wide famous shrine which is about 20 kilometer west from the VDC. Similarly, Bhairhawa one of the business centres of the western development region, is connected with the VDC. Bhairahawa airport is also near from the VDC.

6.1.10 Major Problems

The number of insufficient schools for children is a major problem. There is also problem of clean drinking water. Most of the roads are not black topped. Farmers are not getting required credit for farming. There is not sufficient communication facility although the VDC is connected with Siddharthanagar Municipality. Similarly, available health and medical facilities are not sufficient.

6.2 Siddharthanagar Municipality

6.2.1 Geographical Situation and Climate

The Municipality was known with different names at various times in the past. It was named as Bhairahawa Nagar Panchayat in 1967, Siddharthanagar Panchayat in 1977 and Siddharthanagar Municipality after the restoration of democracy in 1990. The Municipality is the headquarter of Rupandehi district and the southern gateway of western development region to India as well as to capital.

Siddharthanagar Municipality is situated at an altitude of 110 meter from the sea level and it covers an area of 3570.4 hectares or 35.7 square kilometers. It spreads from 27^0 31" north latitude and 83^0 26" east longitude (Municipality Report, 2001).

The Municipality is bounded on the east by Bagaha and Basantapur VDCs of Rupandehi district, in the west by Hatibangai and Gonaha VDC of Rupandehi district,

in the north by Padsari and Pharsatikar VDCs of Rupandehi district, and in the south with Sunauli which is the Indian border of Nepal.

As Siddharthanagar lies in Terai belt of Nepal, the climate is generally very hot .The maximum temperature has been recorded up to 45.20c in May and minimum temperature 20°c in January. The Municipality experiences average rainfall of 1436.5 mm. Heavy rainfalls occurs in the months of July and August (Municipality Report 2001).

6.2.2 Population Composition

According to 2001 census the total population of the Municipality was 52569 (male 26934; and female 25635) and the total number of household was 9419. Among them, the number of Brahmin-Hill, Muslim, Chhetri, Magar, Gurung, Yadav and Newar is 9307, 6316, 3975, 3934, 2899, 2653 and 2524 and the number of remaining other is 20961. The remaining caste/ ethnic group are Chamar/ Harijan, Brahman-Terai, Tharu, Koiri, Sonar, Kewat, Kurmi, Thakur, Dhobi, Kalwar, Mallah etc (CBS, 2001 : 92-93).

6.2.3 Religion

Hinduism, Buddhism and Muslim are the major religions of the people in the Municipality. Besides, there are some people of Christian, Jain and other religions. A remarkable characteristic of households in the Municipality like in other parts of Nepal, is the religious tolerance, harmony and understanding among different religions and cultures. Dashain, Deepawali, Buddha Purnima, Chhatha Parba Muharram, Christmas etc. are the major festivals observed and celebrated by almost all people in Siddharthanagar. Nepali is spoken by all. Besides, Bhojpuri, Urdu, Magar, Newari, Gurung, Hindi, Tharu and Maithili languages are spoken as mother tongue.

6.2.4 Literacy

The literacy status shows that the number of people cannot read and write is 11549 where the number of male is 3650 and that of female is 7899. Similarly, the total number of people who can read only is 1913 where the number of male is 752 and the

number of female is 1161. Further, the number of people who can both read and write is 31996 and among them the number of male is 18789 and the number of female is 13207 and the remaining not stated is 168 among them the number of male is 102 and the number of female is 66 (CBS/UNFPA, 2002 : 187).

6.2.5   Occupation

The number of households engaged in small scale non-agriculture activity is 2288 and among them the number of engagement in manufacturing, trade/business, services, transport and others are 130, 1142, 75, 556 and 385 respectively (CBS/UNFPA, 2002 : 112).

6.2.6   Land Ownership

Households having agriculture land only were 1442, households having livestock only were 177, households having poultry only were 188, household having land and livestock were 1222, households having land and poultry were 146, households having livestock and poultry were 84, household having land, livestock and poultry were 283 and none of the all were 5877 (CBS/UNFPA, 2002 : 82).

6.2.7   Basic Facilities and Infrastructure

The overall literacy rate of the Municipality is 74.68 percent (SIOSM, 2006). There is two Tribhuvan university constituent campuses- one Bhairahawa Multiple campus and the other is Paklihawa Agriculture Campus. Similarly, Bhairahawa Higher secondary school, Rupandehi campus, Brihaspati College, Sunrise Higher secondary School and Universal Medical College are in operation for higher level education. Furthermore, there are a large number of secondary boarding schools.

Boring water is available almost in every ward. There are 1920 private drinking water taps, 42 public drinking water taps and 52 institutional taps in the Municipality. There is an overhead tank of 50000-gallon capacity for supplying clean drinking water. About 36 percent of the total population has been provided piped drinking water. At present local inhabitants are stimulated to manage their own water pumps rather than use the water supplied by corporation since the former device is much cheaper.

Health facilities available in Siddharthanagar Municipality are remarkable. There is a district hospital called Bhim hospital having 25 beds where about 100 outdoor patients come daily for treatment. Besides, Lumbini Rana Ambica eye hospital is a reputed one where almost 400 patients from different parts of Nepal and India visit daily for the treatment of different eye diseases. In addition to this, the teaching hospital of Universal College of Medical Sciences is also providing quality health services. People are also getting health services from other private medical clinics.

The Municipality has electricity supply from two sources -132 K.V. of National Grid system and 32 K.V. Sunauli India Grid. Despite the fact that the supply of electricity is not regular, there has been a significant development in the last ten years. There are 20245 domestic customers and 215 industrial customers of electricity (Municipality Report, 2001).

In the Municipality area, there is 100 kilometer road network. Out of 100 kilometer roads 31 kilometer is black topped, 48 kilometer is graveled, 11 kilometer is highway road and 10 kilometer is earthen road. Different link roads are being constructed in every ward in order to connect with highway and major parts of the Municipality. Siddharthanagar is linked with major cities of Nepal by roadways. Gautam Buddha airport of Siddharthanagar has served air link to Pokhara and Kathmandu. Various air companies Nikon, Buddha, Cosmic, Shangri-La and Mountain have their daily flights from Siddharthanagar to Kathmandu and Kathmandu to Siddharthanagar.

Telecommunication service is available in every ward. There are already 4000 telecommunication subscribers in the Municipality. Fax, e-mail and internet facilities are gradually introduced and installed in public and private offices as well as private homes. Apart from these, there also exist courier services operated by private sector.

6.2.8   Major Problems

There is a lack of proper sanitation. Similarly, there is the lack of parking area for trucks, well equipped and facilated stadium and a modern slaughter house.

CHAPTER VII

POVERTY RATES BY SOCIO-ECONOMIC ATTRIBUTES

7.1   Poverty Measurement

Table 7.1 below shows the head count rate of poverty, distribution of total population in number and percentage, distribution of total households and their percentage and the number of population below poverty level and their percentage by rural-urban categories.

Out of the total 323 households from rural and urban areas each, it is found that 114 and 25 households are below poverty line in rural and urban respectively where the percentage distribution of poor households is 82.01 percent and 17.99 percent respectively for rural and urban areas. The percentage distribution of poor is 80.38 percent in rural and 19.62 percent in urban areas. This figure further indicates that the percentage distribution of the poor is more than four times in rural than in urban area. Similarly, the percentage distribution of the poor households is also found having same figure in rural-urban. The intensification of poverty in rural seems to be higher than in urban in every aspects either households or population.

Table 7.1

Distribution of Households and Population

Area	Poverty Headcount rate (P0)	Distribution of Population	No of Population	Distribution of poor Household	No of Poor Household	Distribution of poor	Poor Population
	(percent)	(percent)		(percent)		(percent)	
Rural	40.62	52.35	1957	82.01	114	80.38	795
Urban	10.89	47.65	1781	17.99	25	19.62	194
Total	**26.46**	**100**	**3738**	**100**	**139**	**100**	**989**

Source: Field Survey, 2007.

Table 7.2 shows poverty head count rate, poverty gap, squared poverty gap, distribution of poor and distribution of population by rural urban. The poverty head count rate is 40.62 in rural while it is 10.89 in urban areas. It indicates about four times higher the poverty head count rate in rural than in urban area. The Poverty gap

(1.15 per cent) and squared poverty gap (0.18 per cent) both are larger in rural area. Poverty gap in rural area is exactly 4.01 times more than in urban area. Similarly, squared poverty gap in rural area is 7.05 times more than in urban area. All these figures indicate high rate, depth and severity of poverty in rural than in urban area. About eighty percent of the poor are concentrated in rural and the remaining about 20.00 per cent is concentrated in urban area.

The calculated p value (0.000) is less than 0.05, therefore, the null hypothesis that there is no association between poverty status by residence is rejected (Appendix II).

Regarding the national figure of rural urban and the overall scenario of poverty, in urban area it was 9.55 per cent and in rural area it was 34.62 per cent and the overall figure was 30.85 per cent in 2003/04 (Poverty Trends in Nepal, 1995-96 and 2003/04, 2005). Our poverty scenario is nearer to the national figure.

Table 7.2

Poverty by Rural-Urban Area

(in per cent)

	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	**40.62**	**6.02**	**1.27**	80.38	52.35
	(0.0300)	(0.0059)	(0.0019)		
Urban	**10.89**	**1.15**	**0.18**	19.62	47.65
	(0.0247)	(0.0029)	(0.0006)		
Total	**26.46**	**3.70**	**0.75**	**100.00**	**100.00**
	(0.0201)	(0.0036)	(0.0011)		

(Figures in parentheses show standard errors)

Source: Field Survey, 2007

Table 7.2 shows that there is no noticeable difference in the distribution of population while the concentration of poor is about four times more in rural compared to urban area.

7.2   Poverty by Caste/Ethnicity

Following the definition given in Human Development Report 2009, Various castes and ethnics in the study VDC and municipality have been grouped into four categories as Terai dalit, Hill dalit, Terai non-dalit and Hill non-dalit. Under Hill dalit Kami, Damai, Dhobi, Sarki, Badhi, Gaine unidentified dalit are included and the remaining are identified as non-dalit. Terai dalit are included as chamar/harijan, musahar, dushad/pashwan, tatma, khatwe, Dhobi, Bantar, Chidimar, Dom and Halkhor. And the remaining are included in Terai non-dalit (UNDP, 2009).

Table 7.3 shows the poverty by dalit and non-dalit ethnic categories. The distribution of dalit in urban is very low (7.20 per cent) than that in rural (18.97 per cent) area. The distribution of population is highest among rural non-dalit (33.39 per cent) and the lowest among urban dalit (7.02 per cent) group. Regarding, the distribution of poor, more poor are concentrated among non-dalit group both in rural and urban areas, however, there is no noticiable difference in the percentage distribution among dalit and non-dalit poor in rural but this figure has a large difference in urban area. Further, the three poverty measures – poverty head count rate, poverty gap and squared poverty gap, the poverty headcount rate is highest among rural dalit (46.12 per cent) while it is lowest among urban non-dalit (9.85 percent). Regarding poverty gap and squared poverty gap, the poverty gap is highest among rural dalit (7.18 per cent) and it is lowest to urban non-dalit (1.1 per cent). Similarly, the squared poverty gap is highest among rural dalit (1.74 per cent) and it is lowest among urban Non-dalit (0.18 per cent).

The calculated p value (0.028) is less than 0.05 in case of rural and hence the null hypothesis that there is no association between caste/ethnicity of household heads and poverty status is rejected. In case of urban the p value (0.072) is greater than 0.05, therefore, the null hypothesis that there is no association between caste/ethnicity of household heads and poverty status is accepted (Appendix II).

Table 7.3

Poverty by Caste/Ethnicity of Household Heads

(in per cent)

Area	Caste/ Ethnicity	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Dalit	46.12	7.18	1.74	33.06	18.97
	Non Dalit	37.50	5.37	1.00	47.32	33.39
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Dalit	16.73	1.43	0.19	4.55	7.20
	Non Dalit	9.85	1.10	0.18	15.07	40.45
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

The national figure of poverty head count rate for dalit (Hill-Terai) was 57.80 in 1995-96 and 45.50 in 2003-04. Similarly, the figure of the distribution of the poor among this group was 10.60 in 1995-96 and 10.90 in 2003-04 and the distribution of population was 7.70 per cent in 1995-96 and 7.40 per cent in 2003-04 (WB, DFID, ADB and CBS, 2006). Only the head count figure of 2003/04 is nearer to our figure.

Table 7.4 shows further the poverty measurement by caste/ethnicity on the basis of disaggregated data of Hill and Terai dalit and non-dalit. The poverty head count rate is highest among Hill dalit of rural area (47.16 per cent) while it is lowest among Hill non-dalit of urban area (3.83 per cent). The squared poverty gap is highest (1.26 per cent) among rural non-dalit Terai and it is lowest (0.02 per cent) among dalit Hill of urban area. Regarding the distribution of poor the highest figure is 43.68 per cent among rural non-dalit Terai and it is lowest (1.31 per cent) among dalit Hill of urban area. Similarly, the distribution of population is highest (24.51 per cent) among non-dalit Terai of rural area and it is lowest (3.34 per cent) to dalit Hill of urban area. Poverty rates among dalits are higher than the average figure.

The NLSS also shows highest poverty rate among dalit (Terai ands Hills) both in 1995/96 and 2003/04, although in 2003/04, the poverty rate of this group has declined from 57.8 percent to 45.5 percent (WB, DFID, ADB and CBS, 2006).

Table 7.4

Poverty by Caste/Ethnicity and by Hill and Terai

(in per cent)

Area	Caste/Ethnicity	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Dalit Terai	45.21	7.02	1.60	20.02	11.72
	Dalit Hill	47.60	7.42	1.97	13.04	7.25
	Non Dalit Terai	47.16	6.71	1.26	43.68	24.51
	Non Dalit Hill	10.84	1.65	0.31	3.64	8.88
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Dalit Terai	22.22	2.36	0.33	3.24	3.85
	Dalit Hill	10.40	0.36	0.02	1.31	3.34
	Non Dalit Terai	13.83	1.66	0.28	12.74	24.37
	Non Dalit Hill	3.83	0.24	0.03	2.33	16.08
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

7.3   Poverty by Gender

It is commonly believed that female headed households have higher poverty headcount rate than male headed households. However Table 7.5 shows 43.02 percent poverty headcount rate among male headed households in rural area while there is no poverty among female headed households. Remittance has a significant role to reduce poverty among female headed households. Most of the male from such households are engaged in foreign employment and they send large amount of foreign exchange to their families. This has been the main reason for having no poverty among female

headed households. The poverty gap and squared poverty gap among the male headed households are 6.38 percent and 1.35 per cent respectively in rural area.

Regarding urban area, the poverty head count rate among male headed households is lower (10.3 per cent) than among the female headed households (15.66 per cent). The poverty gap and squared poverty gap both are higher in rural male head than the urban male head. It clearly indicates higher level of poverty, inequality and severity of poverty in rural than in urban in view of sex of household heads.

Furthermore, out of the 80.38 per cent poor headed households in rural area they all are male headed households and in case of urban out of 19.62 per cent household heads 16.48 per cent are male headed households and the remaining 3.14 per cent are headed by female. Regarding total households the percentage of female headed households is lower in both areas. However the percentage of female headed households in rural area is 2.92 percent which is lower than that of urban (5.30 per cent) area.

Table 7.5

Poverty by Gender

(In per cent)

Area	Gender	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Male	43.02	6.38	1.35	80.38	49.44
	Female	0.00	0.00	0.00	0.00	2.92
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Male	10.3	1.01	0.15	16.48	42.35
	Female	15.66	2.21	0.47	3.13	5.30
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.5 further presents not only poverty head count rate but also the distribution of poor and the distribution of population. The distribution of population of male headed

families in rural area is greater than in urban area while the distribution of female headed families is more in urban. Being a nominal percent (2.92) of female head to the distribution of population there is no poverty among female headed households in rural area.

The calculated p value (0.001) is less than 0.05 in case of rural while it is (0.531) greater than 0.05 for urban. Therefore, the null hypothesis that there is no association between gender of household heads and poverty status is rejected in case of rural while for urban the hypothesis is accepted (Appendix II).

7.4   Poverty by Age-group

Age-group has been divided into two categories i.e. below 60 years of age and 60 years and above who are considered as the high productive age group and relatively low productive age- group respectively. Accordingly, the poverty rate is computed for these two age group household heads.

Table 7.6 shows the poverty by age group of household heads. Poverty head count rate is highest (41.87 per cent) among household heads below 60 years age group in rural but it is lowest (9.62 per cent) in urban area among the same age-group. Poverty gap also has the same direction both in rural and urban areas. Regarding squared poverty gap, it is highest (1.31 per cent) among age-group below 60 years in rural area and is lowest (0.10 per cent) among age-group 60 years and above in urban area. In case of distribution of poor 71.08 per cent of household heads below 60 years is located in rural area while this figure for urban area is 15.17 per cent. The distribution of population of total sampled households has the same direction as that of the distribution of the poor.

Table 7.6

Poverty by Age Group of Household Head

(in per cent)

Area	Age group	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Below 60	41.87	6.26	1.31	71.08	44.92
	60 and above	33.09	4.60	1.05	9.30	7.44
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Below 60	9.62	1.11	0.19	15.17	41.73
	60 and above	19.91	1.37	0.10	4.45	5.91
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

7.5   Literacy and Poverty

Literacy, defined as the ability to read and write, is considered an important factor for the reduction of poverty. Literacy enables people to gain knowledge and skills required for exploring income earning activities for sustainable livelihood. The literacy of mothers is particularly important as this positively affects nutritional status of children, child mortality and their education base.

Table 7.7 shows that the head count rate among illiterate household heads is higher (46.41 per cent) as against literate household heads (36.91 per cent) in rural area. Similarly, poverty gap (7.69 per cent) and squared poverty gap (1.72 per cent) among illiterate household heads are higher as compared to the poverty gap (4.95 per cent) and squared poverty gap (0.98 per cent) among literate household heads.

Regarding the distribution of poor, 35.89 percent are illiterate and 44.49 per cent are literate. Among total household heads (52.35 per cent), the percentage of literate is 20.47 and the percentage of illiterate is 31.89.

In case of urban, the headcount rate, poverty gap and squared poverty gap are 22.22 per cent, 1.78 per cent and 0.18 per cent respectively among illiterate household heads

as against 8.02 per cent, 0.99 per cent and 0.18 per cent respectively those among literate household heads. The distribution of poor household heads among literate is greater (11.53 per cent) as against to illiterate (8.09 per cent) in the same area.

Furthermore, both rural and urban areas, percentage of total literate population is higher than the illiterate. But the difference is higher in urban than in rural area.

The national figure of poverty headcount rate among illiterate household heads is 42.00 per cent (CBS, 2004 : 17) which is nearer to poverty rate of illiterate household heads in rural areas, as found in this study.

In the rural area, the percentage of illiterate household heads is 20.47 and literate household heads is 31.89, while in the urban area these figures are 9.63 and 31.01 respectively.

Table 7.7
Poverty by Literacy of Household Head

(in per cent)

Area	Literacy	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Illiterate	46.41	7.69	1.72	35.89	20.47
	Literate	36.91	4.95	0.98	44.49	31.89
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Illiterate	22.22	1.78	0.18	8.09	9.63
	Literate	8.02	0.99	0.18	11.53	38.01
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.7 further presents that percentage distribution of poor which is higher among literate both in rural and urban since percentage of population is higher in this group.

Table 7.8

Poverty by Level of Education of Household Head

(in per cent)

Area	Level of Education	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Illiterate	46.41	7.69	1.72	35.89	20.47
	Up to SLC	37.44	5.21	1.06	40.55	28.65
	Above SLC	32.23	2.69	0.28	3.94	3.24
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Illiterate	22.22	1.78	0.18	8.09	9.63
	Up to SLC	10.45	1.28	0.24	11.53	29.19
	Above SLC	0.00	0.00	0.00	0.00	8.83
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.8 shows illiteracy and level of education. The poverty rate is also computed by different level of education categorized in terms of household heads having education upto SLC and above SLC. Those with upto SLC education have higher incidence of poverty, higher poverty gap and higher squared poverty gap as compared to those household heads having above SLC education. This clearly shows that higher the level of education lower will be the poverty. Regarding the distribution of poor and population , the large percentage of poorer is concentrated to those household heads having level of education upto SLC and same trend is seen in the distribution of population in rural area.

Regarding urban area, household heads having education upto SLC have poverty head count rate (10.45 per cent), poverty gap (1.28 per cent) and squared poverty gap (0.24 per cent) as against no poverty to those household heads having education above SLC. The urban poverty scenario further verifies that as the level of education increases poverty will be reduced.

Table 7.8 further shows that poor are highly distributed to those household heads who have the qualification up to SLC in rural and the distribution of population is more in these groups. The lowest concentration of poor and population is to those groups who are illiterate.

7.6   Poverty by Occupation

In Nepal, it is commonly believed that poverty is concentrated in agriculture, because of low productivity of farmers and low income. Therefore, poverty rate has been computed by agriculture and non agriculture occupation. Of the total sampled households 35.66 per cent are engaged in agriculture but of the total poor households, 55.81 per cent are engaged in agriculture.

In the rural area the poverty head count rate of household heads engaged in agriculture sector is higher than those engaged in non-agricultural area. The depth and severity of poverty are also in the same direction. In urban area, these data also have similar trend.

Table 7.9

Poverty by Occupation

(Agriculture and Non-agriculture)

(in per cent)

Area	Sector	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Agriculture	49.03	7.18	1.45	51.26	27.66
	Non Agriculture	31.20	4.72	1.07	29.12	24.69
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Agriculture	15.05	1.09	0.13	4.55	8.00
	Non Agriculture	10.05	1.16	0.19	15.07	39.65
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

In rural area the percentage of poor households engaged in agriculture is 51.26 per

cent as compared to 4.55 per cent in urban areas. Most of the household heads of rural area are engaged in agriculture as their major job while in case of urban the situation is just opposite i.e., large percentage of households are engaged in non agriculture. This shows that occupation of people has shifted from traditional agriculture sector to modern urban sector with the development of trade and industrial sector. Of the total poor households, less than two third are engaged in agriculture. While in terms of total households 35.00 percent are engaged in agricultural sector. If we study the national figure regarding the employed, the engagement in agriculture is 73.9 percent (Labor Force Survey, 2008). This shows that our study area has changed rapidly from traditional to modern one compared to national average figure.

The calculated p value (0.001) is less than 0.05 in case of rural and greater than 0.05 in case of urban (0.531). Therefore, the null hypothesis that there is no association between poverty status and occupation is rejected for rural and accepted in case of urban (Appendix II).

Table 7.10 shows poverty in terms of various occupational categories. Poverty headcount rate is highest among those household heads who are engaged in agriculture sector (49.03 per cent) followed by wage earner (47.48 per cent), business sector (33.57 per cent) in rural area. In case of urban area, poverty headcount rate is highest among wage earner (29.25 per cent) household heads followed by agriculture sector (15.05 per cent) and business (8.09 per cent) sector. Poverty gap is highest among those households who are engaged in agriculture sector (7.18 per cent) followed by wage earner (6.65 per cent) and business sector (4.59 per cent), and squared poverty gap is highest (1.45 per cent) among those household heads who are engaged in agriculture sector followed by service sector (1.37 per cent) and among wage earner (1.35 per cent) in rural area. In case of urban, squared poverty gap is highest (0.38 per cent) among wage earner household heads and it is lowest (0.02 per cent) among others group.

The national figure of poverty head count rate in some sectors such as agriculture, trade, services, in 2003/04 were 32.9, 11.1 and 14.4 respectively (WB, DFID, ADB and CBS, 2006). Compared to the national figure, the poverty rate of rural household heads is higher while that of the urban is lower in the study area.

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Table 7.10

Poverty by Occupation

</div>

(in per cent)

Area	Sector	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Agriculture	49.03	7.18	1.45	51.26	27.66
	Business/Trade	33.57	4.59	0.97	9.71	7.65
	Service	15.30	4.14	1.37	2.83	4.90
	Wage Earner	47.48	6.65	1.35	15.27	8.51
	Others	9.56	1.27	0.24	1.31	3.64
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Agriculture	15.05	1.09	0.13	4.55	8.00
	Business/Trade	8.09	0.95	0.18	7.68	25.15
	Service	8.00	1.15	0.19	2.43	8.03
	Wage Earner	29.25	3.02	0.38	4.35	3.93
	Others	6.32	0.38	0.02	0.61	2.54
	Total Urban	10.89	1.15	0.18	19.62	47.65
	Total	26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.10 further shows that the percentage distribution of poor household heads and total sampled household heads. The highest concentration of household heads (51.26 per cent) is found engaged on agricultural occupation in rural area while urban area the highest concentration (7.68 per cent) is in business sector. This trend is equally applicable in case of total population of household heads engaged in agriculture in rural and business in urban areas.

Table 7.11 shows poverty measurement by employment composition. Rural unemployed are not below poverty level. But in urban area, the head count rate,

poverty gap and squared poverty gap of the underemployed are 62.5, 14.07 and 3.17 per cent respectively. The underemployed of the rural area considered as lazy rich while those of urban are interested to work more. However, these both figures are nominal i.e., less than two percent in the total population.

Table 7.11

Poverty by Employment Composition

(in per cent)

Area	Employment status	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Underemployed	0.00	0.00	0.00	0.00	0.88
	Employed	41.32	6.12	1.29	80.38	51.47
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Underemployed	62.50	14.07	3.17	0.51	0.21
	Employed	10.66	1.09	0.17	19.11	47.43
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

7.7   Poverty by Marital Status

Table 7.12 presents the marital status of household head. Marital status has two categories-ever married and never married. Poverty headcount rate among ever married household heads is higher (40.98 per cent) than those of never married (17.24 per cent) in rural area. The same pattern is found in the urban area also-11.08 per cent and 7.84 per cent respectively for the ever married and never married household heads.

Table 7.12

Poverty by Marital Status of Household Head

(in per cent)

Area	Marital Status	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Ever Married	40.98	6.06	1.28	79.88	51.58
	Never Married	17.24	3.43	0.68	0.51	0.78
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Ever Married	11.08	1.10	0.16	18.81	44.92
	Never Married	7.84	1.94	0.50	0.81	2.73
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.12 shows more poor people are concentrated in ever married group both in rural and urban while their differences are larger in rural than in urban area. In terms of distribution of population of never married household heads in rural area are of nominal in number i.e. less than 1.00 per cent while this figure for urban household heads is 2.73 per cent. Unmarried household heads have low incidence of poverty than married household heads.

7.8   Poverty by Demographic Composition

Generally, the poor have large family size in comparison to non-poor. Poor family has low level of education. They are less aware of the responsibility for their children. No matter poor couple give birth to more children since the cost of bringing up to their children is also low due to the use of less nutritional food and providing low quality education or no education at all.

Table 7.13 shows the household demographic composition. Demographic composition is also an indicator in the measurement of poverty. Generally, there

seems to be a positive relation between household size and level of poverty. Higher the household size higher will be the incidence of poverty. In rural area household size with 5-8 members have three times more head count poverty rate as compared to those having 1-5 members. Moreover, poverty head count rate increases with the increase in household size. The poverty gap and squared poverty gap also increasing with the increase in the household size in both areas.

Table 7.13

Poverty by Household Demographic Composition

(in per cent)

Area	Household size	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	1-4	14.18	2.47	0.51	3.94	7.36
	5-8	43.77	6.35	1.35	54.70	33.07
	9 and above	48.21	7.31	1.53	21.74	11.93
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	1-4	3.18	0.49	0.11	1.62	13.46
	5-8	10.00	0.93	0.13	8.39	22.20
	9 and above	21.21	2.29	0.36	9.61	11.99
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.13 further shows that lager proportion of poor household are concentrated in the 5-8 households size group in rural while the larger concentration is in households with 9 and above family size in urban area. Comparison of the percentage of poor households having family size 5-8 shows that rural has far higher poverty rate than urban area.

7.9   Poverty by Ownership of Housing

Housing is one of the basic requirements of human being regarding shelter and receiving protection from different elements. The services received from housing have a direct and positive relation with the standard of living of the people in any

country. In other words, the structure of house and available facilities reflects the living standards of the people in the country. It is also said that the well being of population in general depends on the quality and quantity of housing available.

Regarding the housing occupancy status, majority of households in rural Nepal own the living quarter, which they occupy. The proportion of housing units for which the occupant actually pays rent in cash or in kinds and the housing units which are occupied with permission of the owner and without paying any rent to the owner in cash or in kinds is very low. About 98.00 per cent of the households reside in their houses (household consumption survey 2001/02 : 32). More than one third of the households in rural areas are living in poorly constructed housing with walls of wood, branches and other structurally not acceptable walling materials (NLSS 1996 : 25). Nepal Rastra Bank, in its report entitled "Multipurpose Household Budget Survey" mentions that of the total housing unit covered by the survey, only 54.00 per cent and 52.20 per cent of the units in rural and urban Nepal were made of brick or stone joined by mud or cement plastered or not plastered. After a decade and a half, there has not been much change in the rural housing condition.

Table 7.14 shows the poverty measurement by ownership of house, the poverty head count rate is more than three times in rural than in urban area. In rural, who have used own housing have 41.00 per cent poverty incidence as against 16.67 percent to those who use rented housing. Similarly, poverty gap and squared poverty gap both are higher among those who have own housing than using rented house. Poverty gap is about five times more in rural than in urban, and squared poverty gap is also much higher in rural than in urban. So, all the three measures-head count rate, poverty gap and squared poverty gap all are higher in rural than in urban area. The incidence of poverty is highest among rural household heads who have their own house and the lowest incidence of poverty is found to those who have rented dwelling in urban area. Rented household heads have low incidence of poverty than those having own dwelling. But most of the households who use rented dwellings are engaged in high salary job or any other profitable business. Profit motive is major cause of using rented dwelling.

Table 7.14

Poverty by Ownership of House

(in per cent)

Area	Status	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Own	41.00	6.06	1.28	79.88	51.55
	Rented	16.67	3.76	0.85	0.51	0.80
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Own	12.47	1.38	0.22	18.10	38.42
	Rented	4.35	0.17	0.01	1.52	9.23
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source : Field Survey, 2007.

Table 7.14 also shows that in rural area 51.55 per cent of household heads have their own houses while only 0.80 per cent are living in rented home. The report of Nepal Labor Force Survey, 2008 shows households reside in their own housing unit is 90.00 per cent and the remaining 10.00 per cent use rented house. So findings of the study are in conformity. Regarding the urban area, about 38.00 per cent have their own houses and the remaining 9 per cent live in rented house out of the total. The highest percentage of poor are found in rural who have their own home (79.88 percent). And the lowest percentages of poor (0.51 percent) are found living in rented housing. The data has indicated that ownership of the house is not the major determinant of poverty but the percentage of people having rented housing is very low in both in rural and urban areas.

One of the reasons for higher rate of head count, poverty gap and even squared poverty gap in terms of rural are the concentration of more population in this segment i.e. having own house.

The calculated p value (0.240) is greater than 0.05 in case of rural. Similarly, the p value (0.124) is greater than 0.05 in case of urban. Therefore, the null hypothesis that there is no association between ownership of house and poverty status is accepted for both rural and urban (Appendix II).

7.10 Poverty and House Type

There is no standard definition of residential house and type in the country. Definition used in the survey that collects information on it is not uniform and it causes problem in comparing data collected from different sources. Houses are divided into two categories by their types as there are pakki (permanent) and non-pakki (under which Ardha-pakki or semi permanent, kacchi or non permanent and other) are included. These are defining on the basis of materials used in wall and roof of dwelling units. So wall and roof are categorized into two types as they are pakki (strong) and kacchi (weak).

Pakki wall: It refers to the wall of residential dwelling that is made of durable materials such as stone, bonded bricks, cement, cement bricks, concrete etc.

Pakki Roof: It refers to the roof of house that is made of durable materials such as slate, tile, galvanized sheet, concrete, etc.

Kachchi wall: It is the wall of housing unit that is made of non-durable materials like wooden flakes, bamboo, straw/ thatch, mud, unbaked bricks etc.

Kachchi Roof: it is the top of housing unit covered by non-durable materials like straw, mud, plastic etc.

On the basis of these definitions of wall and roof, housing are categorized as the following:

Pakki: It refers to permanent type of dwelling. It is made of pakki wall and pakki roof. So, durable materials are used in this type of structures.

Ardha Pakki : This type of house is semi permanent. This structure is made with the combination of either pakki wall and kachchi roof or kachchi wall and pakki roof. In the construction of this type of house, both durable and non-durable materials are used.

Kachchi : this type of house is built with kachchi wall and kachchi roof. In this way, non-durable materials are mainly used in the construction of this type of house.

Others : this is a temporary type of residential unit that is made with non durable materials. In this category, all types of residential unit those are not included in above three categories of house. This type of housing unit is generally, made with plastic sheet, bamboo, straw/thatch, etc. for example, hut/ tent is included in this category of house (as defined in the statistical bulletin of CBS 2002/03 : 77-78). For making easier in our study there are only two categories in the type of house. Pakki and non-pakki. Under non-pakki, ardha pakki, kachchi and others are included.

Table 7.15 shows poverty measurements by types of house. Household having non-pakki house have high rate of poverty head count (45.67 per cent) than those having pakki housing (38.00 per cent) but poverty gap and squared poverty gap are larger to those having pakki house than those having non-pakki house in rural. But the poverty head count rate has similar trend in urban but In terms of poverty gap and squared poverty gap both the figures are smaller among those household heads having pakki house than those having non-pakki house.

Table 7.15

Poverty by Type of House

(in per cent)

Area	Type of the House	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Non - pakki	45.67	5.76	1.01	30.94	17.92
	Pakki	38.00	6.16	1.41	49.44	34.43
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Non-pakki	12.67	1.44	0.26	6.47	13.51
	Pakki	10.19	1.03	0.15	13.14	34.14
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source : Field Survey, 2007.

Table 7.15 further shows that poor are concentrated in having pakki house than non-pakki house both in rural and urban areas. The highest concentration of population is found having pakki dwelling in rural (34.43 per cent) and the lowest concentration of population is found (13.51 per cent) among those having non-pakki housing unit in urban area in the total distribution of population. Within the rural area, the proportion of households having pakki house is twice larger than that of those having non-pakki house- 34.43 per cent as against 17.92 per cent. A similar pattern prevails in urban area.

7.11   Poverty and Livestock Raising

Livestock rising is an integral part of Nepalese farmers. The areas covered by the survey households are found keeping Cows, Buffalo, Goats and Pigs. Poultry farming has also developed in a systematic way with a business motive. Ducks and pigeons are also found.

The livestock raising trend has slightly decreased with the establishment of educational institutions. However, most of the farmers are raising one or the other type of livestock.

Table 7.16 shows poverty measurement by livestock rising. Livestock rising is also considered a better income source to rural people in Nepal. The head count rate of poverty is higher among to those not having livestock (41.03 per cent) than having livestock (39.92 per cent) in rural. But poverty gap and squared poverty gap are higher to those households who have livestock than those not having livestock. But poverty head count rate is higher (17.21 per cent) who have livestock than those who have not livestock (8.31 per cent) and poverty gap and squared poverty gap are also in the same direction with poverty head count rate in urban area. This indicates livestock raising help to reduce poverty especially in rural area. They earn extra income by selling live-stock products and also live animals.

Table 7.16

Poverty by Household having Livestock

(in per cent)

Area	Households Having Livestock	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Not Having Livestock	41.30	5.57	1.01	41.76	26.75
	Having Livestock	39.92	6.49	1.54	38.62	25.6
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Not Having Livestock	8.31	0.95	0.17	10.62	33.81
	Having Livestock	17.21	1.62	0.20	9.00	13.83
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source : Field Survey, 2007.

Table 7.16 further shows the distribution of population by having livestock where there were found people not having livestock even in rural area and people found having livestock in urban. Nearly twenty seven percent people in rural were found not having livestock while 33.81 per cent people in urban were found having livestock out of the total.

7.12 Poverty and Land Ownership

In the agrarian nature of the economy, land is considered as an important asset especially to the rural people. Urban areas are also dominated by agriculture farming. Generally, there is the presence of large number of small farms in Nepal.

Land in rural Nepal is considered as a major income source and also a source for reducing poverty. However, poverty rate given in table 7.17 does not support this .Poverty head count rate is higher among those households who have land both in rural and urban areas. This difference in rural area is 6 percentage points and in urban it is only 1.52 percentages points. This may be due to smaller sample size of landless. Especially landless are engaged in non-agriculture activities. Even the wage earner are getting high wage rate now and it has been a major indicator to reduce poverty.

Table 7.17

Poverty by Land Ownership

(in per cent)

Area	Status	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Landless	35.98	6.45	1.52	12.84	9.44
	Landowner	41.65	5.93	1.22	67.54	42.91
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Landless	9.88	1.22	0.19	5.97	15.97
	Landowner	11.4	1.11	0.18	13.65	31.67
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

The question related to the size of land was asked in ratio scale, but in the process of analysis it was converted to ordinal scale. Table 7.18 shows the poverty measurement by the size of landholding. This Table shows that poverty head count rate decreases with the increase in land size both in rural and urban areas. Similarly, poverty gap and squared poverty gap are also narrower among those households having more land in rural and urban areas. Table 7.18 further shows that larger proportion of poor are among those who have less than 1 ha of land. If we study the national figure, poverty head count rate was 38.80 per cent in 1995-96 with those group having land 1-2 hectares (Poverty Trends in Nepal 1995-96 and 2003-04).

Table 7.18

Poverty by Area of the Land

(in per cent)

Area	Land Holding (Hectare)	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Landless	35.98	6.45	1.52	12.84	9.44
	Less than 1	43.84	6.64	1.42	47.12	28.44
	1 & less than 2	38.75	5.13	1.01	13.75	9.39
	2 and more	34.74	3.38	0.43	6.67	5.08
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Landless	9.88	1.22	0.19	5.97	15.97
	Less than 1	13.48	1.45	0.25	11.43	22.42
	1 & less than 2	10.33	0.47	0.03	2.22	5.70
	2 and more	0.00	0.00	0.00	0.00	3.56
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.18 further shows that in overall 9.44 per cent household heads are landless in rural areas. While this figure for urban is 16.00 per cent. People having land greater or equal to two hectare are 5.08 per cent in rural while this figure for urban is only 3.56 per cent.

An indicator, which usually correlated with poverty and in particular with 'hardcore' or extreme poverty, is food insecurity. Food security has been understood in different ways; and is often defined very narrowly to mean food self-sufficiency. In this context, food security of a nation implies that a nation produces enough food to feed its population. However, it could be the case that sections of its population have no access to food, even if sufficient food is produced at the national level. Therefore, the definition of food security used by the Food and Agricultural Organization (FAO)

states that food security exists when "people at all times have physical and economic access to sufficient, safe and nutritious food to meet their dietary requirements for an active and healthy life" (FAO, 2003).

7.13   Poverty and Food Situation

Food situation has, to some extent, a direct and positive link with the availability of quantity and productive quality of land. As explained in chapter four a small fraction of the total households own major share of farm land and majority of the households are either landless or marginal land holders. The concentration of more land in few hands both in the Hill and in Terai indicates inequality in ownership of principal productive asset and, as a result inequality in income distribution. The landless and near landless households have access to land through tenant and share cropping arrangements. This type of semi-feudal production relation has no incentive to increase agricultural production.

Table 7.19 shows poverty measurement by food situation. Food is the major components of expenditure for the developing country like Nepal. Poverty head count rate is zero among those who have sufficiency of food from their own production both in rural and areas. But poverty head count rate is more than double among rural household heads who have not food sufficiency compared to urban area. Data shows that food sufficiency has positive impact on poverty reduction in the study areas.

Table 7.19

Poverty by Food Sufficiency from Own Production

(in per cent)

Area	Food Situation	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Food Sufficiency	0.00	0.00	0.00	0.00	25.22
	Food Insufficiency	74.14	10.55	2.17	83.19	32.32
	Total Rural	41.65	5.93	1.22	83.19	57.53
Urban	Food Sufficiency	0.00	0.00	0.00	0.00	23.13
	Food Insufficiency	25.05	2.43	0.39	16.81	19.33
	Total Urban	11.40	1.11	0.18	16.81	42.47
Total		28.8	3.88	0.78	100.00	100.00

Source : Field Survey, 2007.

Table 7.19 further shows that 25.22 per cent of the total households in rural area have food sufficiency while in urban area, 23.13 per cent have food sufficiency. But among those who have food insufficiency, poverty rate is almost three times in rural as compared to urban area. Regarding the distribution of the poor, rural area has 83.19 per cent and urban area has 16.81 per cent household heads. In rural, 32 per cent of the total households have food in sufficiency and 16 per cent have food insufficiency in urban area. This figure indicates that urban areas in Nepal are still dependent on agriculture.

7.14 Poverty and Access to Credit

Borrowing money for farming and consumption purpose is common in the rural society of Nepal. Some people pass their full life under the burden of loan. Some persons carry the burden of debt form birth to death. The unorganized sources of loan in Nepal are not transparent but it has the dominant role to play, especially rural area of Nepal.

Table 7.20 shows about 7.54 per cent of the household heads were reluctant to reply about their credit situation and their poverty headcount rate is 45.04 per cent. Among

having credit and having no credit groups, the poverty headcount rate is higher (41.84 per cent) with the former compared to later (38.52 per cent) in rural area. More poor people do not have access to take institutional credit because of lack of collateral. However, since past two decades micro credit banks have provided access to credit without collateral, still since households are dependent on money lenders who charge exorbitant rate of interest. But in urban the head count rate is almost negligible to non-response group and it is 16.00 and 7.00 per cent among household heads who are having credit and no credit respectively.

Table 7.20

Poverty by Household having Credit

(in per cent)

Area	Status	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	Non Response	45.04	6.96	1.51	12.84	7.54
	Having Credit	41.84	5.84	1.17	29.02	18.35
	Having No Credit	38.52	5.88	1.27	38.52	26.46
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	Non Response	0.00	0.00	0.00	0.00	1.77
	Having Credit	16.20	1.73	0.30	12.94	21.13
	Having No Credit	7.14	0.73	0.09	6.67	24.75
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.21 shows that the head count rate is about the same among those household heads who have no credit and having credit on organized source. But the head count rate is highest among households who rely on un-organized sector for credit which is 44.00 per cent in rural area. For urban, the poverty head count rate is 9.15 per cent for those household heads who rely on organized source of credit and it is 27.18 per cent for those who depend mainly on un-organized source of credit. But the poverty head count rate is 6.66 per cent to those who have no credit in urban area.

Table 7.21

Poverty by Source of Credit

(in per cent)

Area	Type of Credit	Poverty Headcount rate (P0)	Poverty Gap (P1)	Squared Poverty Gap (P2)	Distribution of the poor	Distribution of population
Rural	No Credit	39.97	6.12	1.32	51.37	34.00
	Organized	40.2	5.49	1.18	16.58	10.91
	Un-organized	44.24	6.34	1.17	12.44	7.44
	Total Rural	40.62	6.02	1.27	80.38	52.35
Urban	No Credit	6.66	0.68	0.09	6.67	26.51
	Organized	9.15	1.33	0.25	4.45	12.87
	Un-organized	27.18	2.36	0.37	8.49	8.27
	Total Urban	10.89	1.15	0.18	19.62	47.65
Total		26.46	3.70	0.75	100.00	100.00

Source: Field Survey, 2007.

Table 7.21 further shows that 34.00 per cent of the total household heads in rural have no credit and the remaining 10.19 per cent and 7.44 per cent use organized and un-organized sector as a major source of credit respectively in rural area. But in urban 26.51 per cent have no credit, 12.87 per cent use organized sector as their major source of credit and the remaining 8.27 per cent use un-organized source of credit. Even in urban area people use un-organized source of credit. Banking habit has not developed much and there are some complications to fulfill official process for obtaining loan from financial institutions.

7.15 Expenditure Elasticity

Total expenditure is often considered a better approximation of household living standard than income, since expenditure is based to a large extent on expected lifecycle income. Moreover, income reported by the households generally tends to be downward based. Therefore, income elasticity of food and non-food consumption for poor and non-poor households is estimated by using total expenditure as proxy for

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income. The results of regressions are presented in Table 7.22 along with computed values of marginal as well as average propensity to consume.

Table 7.22

Regression Results of Expenditure on Food and Non-food

S.No.	Category		α_0	α_1	R^2	F	MPE	APE
1.	Aggregate	Food	1.14 (10.78)	0.86 (92.81)	0.93	8613.24	0.53	0.62
		Non – food	- 4.01 (-20.14)	1.25 (71.93)	0.89	5174.57	0.47	0.38
2.	Poor	Food	0.41 (1.41)	0.93 (35.0)	0.90	1224.99	0.84	0.71
		Non – Food	-3.32 (-4.53)	1.19 (17.17)	0.70	310.31	0.35	0.29
3.	Non – Poor	Food	1.17 (8.90)	0.86 (175.9)	0.92	5760.54	0.57	0.61
		Non – food	-4.00 (-17.17)	1.25 (62.18)	0.88	3866.4	0.49	0.39

Source : Field Survey, 2007.

The coefficients of total expenditure, of poor and non-poor on food and non-food are statistically significant at 5.00 per cent and R^2 are also quite high and significant. The elasticity of expenditure on non-food with respect to total expenditure is higher in total as well as in poor and non poor categories, which seems to be theoretically correct. Compared to poor and non-poor categories, elasticity of expenditure on food is higher among the poor as compared to non-poor, which is also consistent with the theoretical reasoning. The marginal as well as average propensity of expenditure is higher for the poor than for the non-poor. These confirm that poor have higher tendency to spend on food, which in other words mean that poor will be spending larger proportion of their increased income on food. This corroborates the Engel's law that poor have a tendency to spend higher proportion of income on food as compared to non-poor.

7.16 Inequality of Per-capita Expenditure

The inequality in per capita expenditure is presented in table 7.23.

Table 7.23

Gini-Coefficient

S.No.	Sectors	Gini Coefficient
1.	Rural	0.36
2.	Urban	0.37
3.	Aggregate	0.41

Source: Field Survey, 2007.

The indicator used to show the inequality is the Gini Coefficient which is 0.41 in the study area. The inequality in urban area is higher (0.37) than in rural area (0.36). The inequality in the aggregate level is higher than that of its components (rural and urban) which is natural.

The inequality can be shown in a Lorenz Curve which is given below in Figure 7.1.

Figure 7.1

Lorenz Curve

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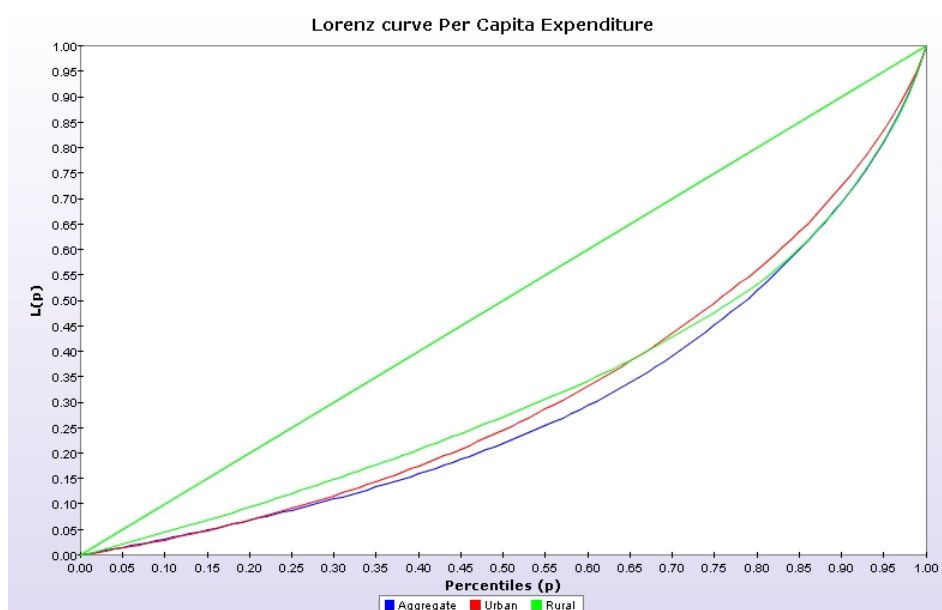
Lorenz Curve of Percapita Expenditure

In aggregate inequality is higher in urban compared to rural area. The Lorenz curves of rural and urban intersect at cumulative percentile of 0.64 approximately. Before that the curve of urban is flatter than that of rural. After the intersect, the phenomenon is reverse.

CHAPTER VIII
SUMMARY AND CONCLUSIONS

8.1   Summary

The overall poverty headcount rate is 26.46 per cent in the study area. Poverty head rate in rural area is 40.62 per cent while such figure for urban area is 10.89 per cent. The poverty gap and squared poverty gap are 6.02 and 1.27 percent for rural area and 1.15 and 0.18 for urban area respectively. The poverty headcount, poverty gap and squared poverty gap all indicate high level of incidence, depth and severity of poverty in rural compared to urban area. Out of the total sampled households in rural and urban areas, 82.01 per cent of poor live in rural area, and the remaining 17.99 per cent live in urban area.

In rural area, the poverty headcount rate of dalit household heads is 46.12 per cent and that of non-dalit household heads is 37.50 per cent. It is higher among Dalit by 8.62 percentage points compared to non-dalit. In urban area too, the poverty headcount rate among dalit household heads is higher (16.73 per cent) while it is lower (9.85 per cent) among non-dalit household heads. Poverty gap and squared poverty gap both are wider among dalit household heads in rural area compared to Non-dalit. Similar situation is observed even in urban area.

Regarding poverty headcount by sex of household heads, it is 43.02 per cent among male headed household heads but there is no poverty among female headed household heads in rural area. In urban area, the poverty headcount rate is 10.30 per cent and 15.66 per cent among male headed and female headed households respectively.

Poverty by age-group shows high incidence of poverty among age below 60 years (41.87 per cent) and it is 33.09 per cent among the household head aged 60 years and above in rural area. But in case of urban the figures are just opposite. Poverty headcount rate among age below 60 years is only 9.62 percent while the figure among 60 years and above age group it is 19.91 percent. The reason is that persons at old age can still work hard and maintains higher expenditure. But in urban area, old age groups are not so active.

Regarding literacy and poverty, poverty headcount rate among illiterate household heads in rural area is higher (46.41 per cent) compared to literate household heads (36.91 per cent). Poverty gap and squared poverty gap are also found having the same trend. Similarly, poverty headcount rate among illiterate household heads is 22.22 per cent and among literate it is only 8.02 per cent in urban area. Poverty differences are higher in urban than in rural area by poverty headcount rate. Further, poverty headcount rate decreases with the increase in the level of education. In urban area, among household heads above SLC are not found below poverty line.

Poverty by occupation shows that poverty headcount rate is higher among household heads engaged in agriculture as their major job compared to those household heads who are engaged in non-agriculture occupation. This holds true both in rural and urban areas. Poverty headcount rate among agricultural household heads is 49.03 per cent while among non-agricultural household it is 31.20 per cent in rural area. In case of urban area poverty headcount rate of agricultural household heads is 15.05 per cent and among non-agricultural households it is 10.05 per cent.

Underemployed household heads are not found below poverty in rural area but in urban such household heads have high incidence of poverty rate (62.50 per cent). Employed household heads have 41.32 per cent poverty headcount rate as against zero poverty among underemployed household heads in rural area. This is due to the extra earning of family members other than household head. In case of urban area, the poverty headcount rate of underemployed households heads is 62.50 per cent as against 10.66 per cent among those who are employed.

Poverty by household size shows that there is a positive relation between household size and poverty i.e., larger the household size higher the poverty headcount rate. The highest poverty headcount rate (48.21) is among those households who have 9 and above family members in rural area and the lowest headcount rate (3.18 per cent) is among to those households who have family size of 1 to 4 members.

Poverty and ownership of house shows that poverty headcount rate among households who live in rented house is lower than those households who live in their own house both in rural and urban areas. This is due to the profitable business of those who use rented house.

Housing status and poverty shows that there is co-relation between house type and poverty. The poverty headcount rate is higher (45.67 per cent) and (38.00 per cent) among those households who have non-pakki and Pakki dwelling in rural area respectively. Similarly the headcount rate is 12.67 per cent and 10.19 per cent among those households who have non-pakki and Pakki housing in urban area respectively. But poverty difference in rural urban with regard to housing status is not significant.

Poverty headcount rate among households having livestock and not having livestock is 41.30 per cent and 39.92 per cent respectively in rural area. Similarly, these rates are 8.31 and 17.21 among households having livestock and not having livestock respectively in urban area. Further, this shows that livestock rising can reduce poverty in rural area.

Poverty by land ownership shows higher poverty headcount rate among those households who have land as against to those who have no land. This is due to the higher wage rate those who are specially engaged in wage earning activities .But the poverty differences are not significant. Although poverty headcount rate is lower among big holders as against small holders in both rural and urban areas.

Regarding poverty and food sufficiency, poverty is found among those households who have no full sufficiency of food form their own production. This means that there is no poverty among those households who have full sufficiency of food from their own production. The same situation is found in both rural and urban areas. The poverty headcount rate is much higher (74.14) among those households who have food insufficiency in rural as against 25.05 percent among those households who have food insufficiency in urban areas.

Poverty is also related with credit. Out of the total sampled households, about 10.00 per cent were reluctant to disclose their credit situation. However, the 90.00 per cent replied. Households having credit in rural area have 41.48 percent headcount rate as against 16.20 per cent in urban among such group. Similarly, households without credit in rural area have higher incidence of poverty (38.52 pre cent) as against only 7.14 per cent in urban area.

Poverty is also co-related with different credit sources i.e. organized and unorganized. The poverty headcount rate is lower in both areas among those households who use organized source for credit as against those households who use un-organized source.

It is theoretically postulated that the poor use larger percentages of their expenditure on food item than in non-food item. The regression results of household expenditure on food and non-food shows elasticity of expenditure on food is higher among the poor as compared to non-poor.

Regarding coefficient of the variables except the house ownership the rest are statistically significant according to Wald test. The sign of the coefficient negative means the odd ratio will be below one.

8.2 Conclusions

The findings of this study show that there is higher incidence of poverty in the VDC compared to Municipality. Even though there is poverty in the urban area, its severity is lower than in rural area. This calls for various poverty reduction programmes.

This study shows that dalits are affected more from poverty than non-dalit. Poverty rates among dalits are higher than the average rate. Poverty of this group can be reduced through creating employment opportunities and skill training. These are the excluded caste and ethnic groups and they need the government support through local institutions. Some of the rural communities remain isolated and they have difficulty in marketing their products and mainly depend on human back/head load for transportation. Road infrastructure should be developed in the rural areas. The construction of link roads was specially promoted during recent years as fast access to market and social services are seen as the key to enhance development and reduce poverty. Better roads can contribute both directly and indirectly to households' economic welfare. Roads can improve the access to market for both agricultural and non-farm products and services. This can be helpful to open up more rewarding job opportunities.

Extensive and efficient infrastructure is crucial for ensuring the effective functioning of the economy, as it is an important factor determining the location of the economic activities. Well developed infrastructure reduces the effect of distance between

regions, and integrates the markets. Furthermore, the quality and extensiveness of infrastructure network impact significantly to economic growth and reduces income inequalities and poverty.

This study shows that female headed households have no poverty in rural area. However, the incidence of poverty among female headed households is higher in urban area compared to male headed households. There is clear evidence on the existence of wide expenditure difference between literate and illiterate persons and this is reflected in low expenditure household heads and the incidence of poverty. For the reduction of such nature of poverty emphasis should be laid on female informal education and training. Similarly, illiterate household heads have higher incidence of poverty compared to literate household heads both in rural and urban areas. Therefore, investment on education could ensure further reduction on poverty as well as improvement in income distribution.

Household heads who are engaged in agriculture sector have high incidence of poverty as compared to those engaged in non- agriculture sector both in rural and urban areas. For the reduction of poverty in agriculture sector, incentive and facilities should be provided to farmers. For this, irrigation and credit facilities should be provided at a time. For the development of agriculture, irrigation facilities should be expanded. Concerned government bodies like the District Development Committee (DDC) should give priority to the development of irrigation facilities in the district.

In rural agrarian economy, road can contribute to poverty reduction through providing access for the farmers in new inputs and technologies. The productivity of the farmers should be increased by adapting mechanized and intensive use of land. It helps in double cropping, production, higher income and ultimately food sufficiency. Further, farmers should be motivated to shift from cereal to high value crops farming such as cash crop, spices and vegetable, etc.

There is underemployment situation in agriculture sector. Considering this, farmers should be motivated to undertake off-farm income generating activities particularly micro enterprises such as carpentry, masonry, plumbering, electrician, TV. repairing etc. For this training should be provided and credit support should also be extended in easy terms.

The unequal distribution of land and small farm size are the two key factors creating poverty. People in rural area are poor because of lack of land. This is because of lack of scientific land reform in the country. Although land reform is stated as one of the political agenda of major political parties of Nepal. No serious attention is given to this issue when these parties are in power.

The housing status of some rural and slum of urban area is in a very poor condition. People are not fully protected in rainy season .They are unable to construct pakki building due to poor economic status. Concessional loan should be provided to construct building to those families who are living in that shed having no minimum housing requirement.

Being an integral part, livestock raising is highly traditional and it is only for supporting subsistence economy. To gain more return from live-stock raising it should be promoted in effective manner. Farmers should be motivated toward high brid animal to get higher return. Similarly, easy and cheap loan should be provided to encourage farmers and animal insurance system should be put into practice.

Food sufficiency from own production has been one of the major mechanisms to reduce poverty. For this farmers should be motivated to start double cropping and produce more.

People still depend on village lenders. It also indicates that they are not using loan in productive area. So people should be directed toward institutional loan and for this all complicated process should be simplified. Such process will discourage taking loan from un-organized sources. Organized sectors loan will reduce the burden of loan to the poor people from generation to generation.

Poverty with respect to rural urban perspective has a wider scope for study. This study has selected only two areas due to time and budget constraints. Future studies can cover more and will provide better input for policy makers and planners in the national level. Such study will be a linkage and input may find to fill up the gap between rural and urban poverty, and may use advanced statistical technique.

This study is based on only two areas – one VDC and one Municipality representing rural and urban areas of Rupandehi district of Nepal. Hence, coverage of more VDCs

and more Municipalities would be desirable for obtaining a more reliable picture of rural-urban dimension of poverty. Further research on poverty covering rural urban area is recommended since it has been given more emphasis even in the recent periodic plan especially after the reestablishment of multi-party democracy in Nepal.

This study has analyzed poverty by rural–urban areas and by caste, education and occupation of household head in the context of a Terai district. However, the findings of this study cannot be generalized for hill and mountain districts. So future studies can cover this gap. Furthermore, studies on poverty can also be carried out on groups of different socio–cultural characteristics.

APPENDIX I

QUESTIONNAIRE

1.   <u>General Information</u>

    VDC:

    Municipality:

    Ward:

    Tole:

    Name of the Respondent:

    Literacy:

    Literate/ Illiterate:

    Age:

    Sex:

    Caste:

    Level of Education:

    Employment status Employed/Unemployed:

    Major Occupation:

    Marital Status:

2.   Demographic Information

    I)   Family structure

        Single ....

        Joint ....

    II)   How many members are in your family?

Age Group	Male	Female	Total
Below 15 yrs	....	....	....
15-19 Yrs	....	....	....
60+Yrs	....	....	....
Total:	....	....	....

3.   **Literacy and Level of Education (6 Years and above)**

    i)   Number of Illiterate

    ii)   Number of Literate

    iii)   Educational qualification

Grade	Code	Number of Male	Number of Female	Grade	Code	Number of Male	Number of Female
No Grade	20			Grade 8	08		
Grade 1	01			Grade 9	09		
Grade 2	02			SLC	11		
Grade 3	03			PCL	12		
Grade 4	04			Bachelor	16		
Grade 5	05			Master	17		
Grade 6	06			Ph.D.	18		
Grade 7	07						

4. Employment Status (Economically active)

Number of Employed   Male   Female

                              ....

Number of Unemployed   Male   Female

                              ....

5. Major occupation

Occupation	Number of Male	Number of Female
Agriculture	....	....
Business/ Trade	....	....
Service	....	....
Transportation	....	....
Industries	....	....
Wage earner	....	....
Other	....	....

6. Assets

a)   How much land do you own ? (In hectare) ....

b)   Housing

         Owned :

         Rented :

         Others :

c)   Kinds of House   Total Number

         Non - Pakki   ....

         Pakki   ....

How many Livestock do you have?

Livestock	Total number	Market Value (Rs.)
Cow	....................…	....................…
Buffalo	....................…	....................…
Ox	....................…	....................…
Pig	....................…	....................…
Chickens/ Ducks	....................…	....................…
Other	....................…	....................…
Total	....................…	....................…

Income from Agriculture Production

a)   What was the income that you received from agriculture production during the past twelve months?

Crops	Quantity	Market Price
Paddy	....................…	....................…
Maize	....................…	....................…
Wheat	....................…	....................…
Millet	....................…	....................…
Mustard seeds	....................…	....................…
Others	....................…	....................…
Total	....................…	....................…

b.   Did your family get sufficient food from your own agriculture production?

Yes ....…   No ....…

c.   Have you any surplus crops?

Yes ....…   No ....…

d.   If Yes, What quantity of crops did you sell during the past 12 months ?

Crops	Quantity	Price
Paddy	....................…	....................…
Maize	....................…	....................…
Wheat	....................…	....................…
Millet	....................…	....................…
Mustard seed	....................…	....................…
Others	....................…	....................…
Total	....................…	....................…

e.   If no, for how many months did it fulfill your requirements?

f.   How do you fulfill the deficit months?

Borrowing ....…   Assets Sale ....…

Remittance ....…   Others ....…

7.   Income from live stock sell and livestock production

a)   How much did you earn from the sale of live-stock during the past 12 months?

Live stock	Number	Value (Rs.)
Cow	....	....
Buffalo	....	....
Ox	....	....
S/he goat	....	....
Pig	....	....
Chicken	....	....
Others	....	....
Total	....	....

b.   How much did you earn from livestock production during the past 12 months?

Live stock production	quantity	Price
Milk	....	....
Ghee	....	....
Curd	....	....
Meat	....	....
Eggs	....	....
Others	....	....
Total	....	....

8.   Family Income from occupation

a)   How much did your family earn during the past 12 months (From non agriculture) ?

	Income source	Annual (in Rs)
Wage	....	....
Salary	....	....
Business/Trade	....	....
Pension	....	....

Other allowance ....

Remittance ....

Other ....

Total ....

Borrowing

9. How much did you borrow during the past 12 months ? (amount in Rs) ....

Sources   Amount   Interest

Un-organized

Organized

10. a. What was your family expenditure on food items during the past 12 months ?

Kinds	Quantity	Price per unit (Rs.)	Total (Rs.)
Paddy/Rice	....	....	....
Wheat/Wheat flour	....	....	....
Mize	....	....	....
Milk	....	....	....
Vegetable	....	....	....
Fruits	....	....	....
Meat	....	....	....
Poultry products	....	....	....
Others	....	....	....

b. What type of energy do you use for cooking & lighting ?

Hydro .... Kerosene oil .... Wood ....

Cow dang .... other..................

11. Expenditure on non-food items

a. What was your expenditure in the past 12 months ?

Kinds	Quantity	Price per unit (Rs)	Total (Rs)
Clothes	....	....	....
Clothes	....	....	....
Foot wear	....	....	....
Health and Education	....	....	....
Land tax	....	....	....
Festival	....	....	....
Smoking/ Drinking	....	....	....
Transport	....	....	....

To play interest   ....

Wood/ Electricity/Kerosene   ....

Others   ....

12.   What was your expenditure on housing during the past 12 months

13.   Is there any poverty reduction program running in your village municipality ?

  Yes   No

  If yes, mention the name

  1.   ....

  2.   ....

  3.   ....

APPENDIX II

RELATIONSHIP TABLES

Rural/Urban * Poor Crosstabulation

Count

		Poor		Total
		Non Poor	Poor	
Rural/Urban	Rural	209	114	323
	Urban	298	25	323
Total		507	139	646

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	72.609	1	0.000

Caste categories * Poor * Rural/Urban Crosstabulation

Count					
Rural/Urban			Poor		Total
			Non Poor	Poor	
Rural	Cast categories	Dalit	66	50	116
		Non Dalit	143	64	207
	Total		209	114	323
Urban	Cast categories	Dalit	43	7	50
		Non Dalit	255	18	273
	Total		298	25	323

Chi-Square Tests

Rural/Urban		Value	df	Asymp. Sig. (2-sided)
Rural	Pearson Chi-Square	4.834	1	0.028
Urban	Pearson Chi-Square	3.247	1	0.072

Gender * Poor * Rural/Urban Crosstabulation

Rural/Urban			Poor		Total
			Non Poor	Poor	
Rural	Gender	Male	187	114	301
		Female	22	0	22
	Total		209	114	323
Urban	Gender	Male	261	21	282
		Female	37	4	41
	Total		298	25	323

Chi-Square Tests

Rural/Urban		Value	df	Asymp. Sig. (2-sided)
Rural	Pearson Chi-Square	12.877	1	0.000
Urban	Pearson Chi-Square	0.267	1	0.605

Occupation * Poor * Rural/Urban Crosstabulation

Rural/Urban			Poor		Total
			Non Poor	Poor	
Rural	Occupation	Non Agriculture	125	46	171
		Agriculture	84	68	152
	Total		209	114	323
Urban	Occupation	Non Agriculture	263	21	284
		Agriculture	35	4	39
	Total		298	25	323

Chi-Square Tests

Rural/Urban		Value	df	Asymp. Sig. (2-sided)
Rural	Pearson Chi-Square	11.210	1	0.001
Urban	Pearson Chi-Square	0.393	1	0.531

House Ownership * Poor * Rural/Urban Crosstabulation

Count

Rural/Urban			Poor		Total
			Non Poor	Poor	
Rural	House Ownership	Rented	6	1	7
		Own	203	113	316
	Total		209	114	323
Urban	House Ownership	Rented	77	3	80
		Own	221	22	243
	Total		298	25	323

Chi-Square Tests

Rural/Urban		Value	df	Asymp. Sig. (2-sided)
Rural	Pearson Chi-Square	1.383	1	0.240
Urban	Pearson Chi-Square	2.371	1	0.124

APPENDIX III

STATISTICAL OUTPUT

Gender

Category	Count	%
Male	583	90.20
Female	63	9.80
Total	646	100.00

Literacy

Category	Count	%
Illiterate	186	28.80
Literate	460	71.20
Total	646	100.00

House Ownership

Category	Count	%
Own	559	86.50
Rented	87	13.50
Free	0	0.00
Total	646	100.00

Land Ownership

Category	Count	%
Landless	183	28.30
Landowner	463	71.70
Total	646	100.00

House Type

Category	Count	%
Non Pakki	208	32.20
Pakki	438	67.80
Total	646	100.00

Land Holding

Category	Count	%
Landless	183	28.30
<1	331	51.20
1 & <2	83	12.80
>=2	49	7.60
Total	646	100.00

Age Distribution of Household Head

	Mean	Maximum	Minimum	Standard Deviation
	42	77	20	12

Marital Status

Category	Count	%
Ever Married	620	96.00
Never Married	26	4.00
Total	646	100.00

APPENDIX IV

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