

**What Causes Poverty:  
Assessing its Perceived Causes in Itahari Sub-Metropolitan city**

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## LETTER OF RECOMMENDATION

I certify that this dissertation entitled “**What Causes Poverty: Assessing its Perceived Causes in Itahari Sub-Metropolitan City**” has been prepared by **Bishnu Chaudhary** under my supervision. I hereby recommend this dissertation for the final examination by the Research Committee of the Department of International Relations and Diplomacy (DIRD), Tribhuvan University, in fulfillment of the requirements for the Degree of MASTER’S IN INTERNATIONAL RELATIONS AND DIPLOMACY.

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Asst. Prof. Gaurav Bhattarai

Dissertation Supervisor

September 11, 2022

# **APPROVAL LETTER**

## DECLARATION

I declare that this dissertation is an original report of my research, has been written completely by me and has not been submitted for any other degree. I confirm that appropriate credits have been given within this thesis where references have been made to the work of others.

Signature:

Name: Bishnu Chaudhary

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Date: September 11, 2022

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## ABSTRACT

Poverty and its eradication have been the topic of great concern among researchers, policy makers and political leaders equally. The inherent problem in understanding poverty is the fact that there are multiple concepts regarding its definition and multiple ways of measuring the poverty level. Earlier the concept was chiefly associated with the physical deprivation one suffered and measured mostly in terms of monetary values and savings.

The key targets of the study are five-fold: first, to provide an insight into different approaches of understanding poverty and the related economic theories explaining them; second, whether poverty is viewed in behavioral, structural or institutional dimensions or a combination of all three; third, to find the actual level of Multidimensional poverty index (MPI) at local level; fourth, to explore the actual causes of poverty at grass root level; and finally fifth, to explore the differing perceptions of the causes of poverty among the poor and the non-poor.

A cross-sectional survey using single sampling procedure was conducted among the poor and non-poor of Itahari Sub-Metropolitan city aged between 18 and 60 years. The sample size set was 240 (Urban=90; rural=150). For the calculation of MPI, survey questionnaires were based on Ten parameters with their respective weightage and Alkire-Foster et al (2015) counting methodology was utilized. Similarly, fifteen dimensions were set as the possible cause of poverty. The program code was written in Visual Studio code and converted into JavaScript using library package React. Hypothesis test was conducted using software IBM SPSS based on Pearson-Fischer method. Results suggested that MPI of Itahari sub-metropolitan city is higher than the national MPI, whereas the Poverty Head Count Ratio and Poverty Intensity of the city is almost similar with the national level. It also showed that poor people of Itahari suffer deprivation mainly due to education and health followed by living standards.

Regarding the possible cause of poverty, both poor and non-poor people registered almost same perception- that women who were incapable to work outdoor did cause poverty. Among others, poor people recorded that poor education and fatalism were another major cause of poverty. In sum, this study is extremely significant in multitude of ways and is capable of making vital contribution towards analyzing the causes of poverty; transcending just the income, savings, and spending behavior, consumption or physical deprivation. The study in itself is unique, as a whole

program has been developed with codes and can be utilized to calculate MPI and make comparisons for the perceived cause of poverty for any geographical region, with great ease.

***Keywords: Poverty; Perception; MPI, Causes of Poverty, Poor; Non-poor.***

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## LIST OF ABBREVIATIONS

ADB	Asian Development Bank
CAS	Country Assistance Strategy
CBS	Central Bureau of Statistics
CDD	Community Driven Project
CIE	Comprehensive Impact Evaluation
DFID	Department for International Development
DIRD	Department of International Relations and Diplomacy
GDP	Gross Development Product
GESI	Gender and Social Inclusion
GNI	Gross National Income
HDI	Human Development Index
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
INGO	International Non-Governmental organizations
MDG	Millennium Development Goals
MDG	Millennium Development Goals
MICS	Multiple Indicator Cluster Survey
MoF	Ministry of Finance
MPI	Multi-Dimensional Poverty Index
NDHS	National Demographic Health Survey
NGO	Non-Governmental Organizations
NLSS	Nepal Living Standard Survey
NMICS	Nepal Multiple Indicator Cluster Survey
NPC	National Planning Commission
NPEP	National Poverty Eradication Plan
NRB	Nepal Rastra Bank
OECD	Organization for Economic Cooperation and Development

OPHI	Oxford Poverty and Human development
PAF	Poverty Alleviation Fund Nepal
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programme
SDG	Sustainable Development Goals
SOE	State Owned Enterprises
SPSS	Statistical Package for Social Sciences
UDHR	United Nations Declaration of Human Rights
UNDP	United Nations Development Programme
WB	World Bank
WDI	World Development Indicators
WHO	World Health Organization

## OPERATIONAL DEFINITIONS

**Poor:** Poor in this work refers to MPI poor who registers the critical deprivation value equal to or more than 0.33.

**Non-Poor:** Refers to the person with the deprivation value less than critical deprivation value 0.33.

**Absolute Poverty:** Absolute poverty refers to subsistence below a minimum, socially acceptable living condition. The World Bank (2000) considers a person to be in absolute poverty if his or her consumption or income level falls below some minimum level necessary to meet basic needs.

**Relative Poverty:** Relative poverty is when households receive 50% less than average household incomes. So, they do have some money but still not enough money to afford anything above the basics.

**Capability Approach:** An approach that views living as a combination of diverse "doings and beings," where quality of life is measured in terms of the ability to attain valuable functionings."

**Capabilities:** The set of valuable functionings that a person has effective access to.

**Functioning:** States of 'being and doing' such as being well-nourished, having shelter. They should be distinguished from the commodities employed to achieve them (as 'bicycling' is distinguishable from 'possessing a bike').

**Multidimensional Poverty Index (MPI):** It is an index designed to measure acute poverty, understood as a person's inability to meet minimum internationally agreed standards. It complements traditional monetary poverty measures by capturing the acute deprivations in health, education, and living standards that a person faces simultaneously.

**Social Exclusion:** Exclusion from the prevailing social system and its rights and privileges, typically as a result of poverty or the fact of belonging to a minority social group.

# CHAPTER 1: INTRODUCTION

## 1.1 General Background

Over the past thirty years, ideas about poverty have evolved quickly, and today, the reduction of poverty is a major focus of attention on a global scale. The concept has attracted such attention that the OECD's Development Committee has set the target to reduce the percentage of individuals living in severe poverty to be cut in half by 2015 (OECD, 2016). The international community has widely accepted this suggestion. However, the confusing vagueness with which the phrase is used and the numerous various measures recommended to monitor poverty conceal exactly what this aim might signify. Is income poverty of more interest than human development? Or is it about social inclusion or a sustainable way of life? Or is the focus on present-day needs or long-term security? Various notions suggest various interventions.

As a challenging and divisive concept, poverty has a lot of unresolved concerns in the contemporary discussion. The problem is that the word "poor" is a portmanteau that means various things to various individuals. While describing poverty, words like "destitution," "sick," "powerlessness," and "vulnerability" are commonly utilized. One way to define poverty is in terms of people as "individuals being denied access to living circumstances and comforts which are usual, or at least extensively employed or condoned in the cultures to which they belong" (Townsend, 1979). Additionally, there are discussions over the significance of monetary variables, objective vs. subjective assessments, and the relationship between material wealth and broader societal "functioning<sup>1</sup>."

Some scholars have even transcended beyond the concept of deprivation or possessions and explain poverty in terms of relationship between one person and another. As Marshal Sahlins (1972) says, "The world's most primitive people have few possessions, but they are not poor. Poverty is not a certain small amount of goods, nor is it just a relation between means and ends; above all, it is a relation between people. Poverty is a social status. As such it is the invention of civilization".

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<sup>1</sup> Related to Capability Approach by Amartya Sen. More to be discussed in the literature section.

The difficulty and complexity of the concept of poverty has led to issues in the measurement of poverty too. Indicators of poverty include the Income Poverty Index, Multidimensional Poverty Index, Human Development Index, and the Quality-of-Life Index. These are just a few of the many theories and concepts that exist. The last of these are rather new. It is widely acknowledged that taking into account the variability of measures across time is necessary and that monetary income (or consumption) alone is a flawed indicator of welfare. Relative deprivation is another commonly acknowledged concept. Different opinions exist on the relative significance of non-financial factors like self-esteem and the relevance of listening to the opinions of the impoverished themselves (Agola and Awange, 2014).

Underlying all, there are differences in the poverty eradication framework too, when it comes to addressing the poverty and implementing alleviation programs. The National Poverty Eradication Plan (NPEP) outlines a detailed strategy for ending poverty in several countries. But the goal of alleviating poverty is not covered by the various NPEP. Actually, NPEP does not address Multidimensional Poverty Index, Human Development Index, and the Quality-of-Life Index. Similarly, Rowntree method (1901) is used in many developing countries like Kenya. Under this, the focus was put on meeting nutritional value of Kenyan families as basic needs in the period between 1979-83 (Ibid). One holistic framework to address poverty is by pursuing Sustainable Development Goals (SDGs) in partnership with United Nations. But, amidst of numerous inherent problems and inabilities some countries focus on specific areas like health, education, food security, ecosystem and biodiversity, institutional strengthening, political and legal frontiers and national fiscal policies (Fischer et al, 2013).

### **1.1.1 Poverty in Nepal**

Nepal's conducted its first poverty assessment and published the report in 1991. This report was derived from the Multi-Purpose Household Budget Survey done in 1984/85 and showcased the poor standard of living more than 40 years ago. This assessment conducted by using the traditional conservative poverty line deemed at least 40 percent of the population below the absolute poverty line. However, except the very few business persons and high skilled professional in higher posts, much of the people in Nepal then would have fallen below the poverty line using any international standard of measurement (World Bank, 1991). Without doubt, Nepal was one of the poorest nations in the world.

The report held four prominent factors as the key reason for poverty in Nepal. First, Nepal being landlocked between China and India, the two giant countries in the world based on demographics, were also two of the poorest countries during the time of survey. Second, Nepal's lack of resources and limited fertile land. Although being praised for its natural beauty, Nepal's mountainous and difficult topography poses great hindrances for rural development. Third, owing to the fact that Nepal had high population growth rate; the population had become almost twice between 1960 and 1990. Fourth, Nepal's overall economic development and growth rate had been very slow due to the above-mentioned factors (World Bank 2016b).

Majority of people below poverty line are based in rural areas. The countryside which accounted for 93 percent of the population held 95 percent of the poor people in 1984/85 (World Bank 1991; World Bank 2016b). The percentage of people dependent on agriculture was 93 percent, which was the highest among any country listed in the 1989 World Development Report (World Bank 1989). The great number of poverty-stricken Nepalese earned their living by subsistence farming. As of 1984/85, 90 percent of people depended heavily on only 'rice and dal' and hardly could afford fruits, vegetables, meat and eggs on a daily basis, thus falling short of meeting minimum caloric requirements. Due to the lack of resources to develop non-agricultural sectors, the country was chiefly dependent on subsistence agriculture with limited cultivable lands.

The lack of transportation facilities and infrastructures further forced the rural people to remain engaged within subsistence farming as it was very difficult and expensive to market their non-agricultural products to the market or develop any non-agricultural business enterprises (World Bank 1991). The rapid population growth further worsened the plight of the people and forced them to slave in the difficult and unsuitable land for farming in the countryside (Bista,



2003). There was very little hope in the poverty reduction strategies advocated during those time that could actually address the extreme poverty persisting in the society. For instance, the 1991 report suggested that poor people needed more support as the poverty percentage was likely to remain. However, poverty reduction through transfer of resources was highly unlikely, as there were large number of poor people but very few resources to be transferred as means of support or subsidies (World Bank 1991).

**Table 1 Nepal Ranked in Socio Economic Indicators circa 1985 and 2010**

	Circa 1985			Circa 2010		
	<b>Nepal's Rank</b>	<b>Total Number of Countries</b>	<b>Year</b>	<b>Nepal's Rank</b>	<b>Total Number of countries</b>	<b>Year</b>
<b>GNI per capita, Atlas method (US\$)</b>	140	140	1985	172	188	2010
<b>Agriculture, vaue added (% of GDP)</b>	5	113	1985	10	176	2010
<b>Life expectancy at birth, total years</b>	165	193	1985	135	200	2010
<b>Mortality rate, infant (per 1000 live births)</b>	17	186	1985	63	192	2010
<b>Improved sanitation facilities (% of population with access)</b>	159	162	1990	157	194	2010
<b>Primary school completion rate, both sexes (%)</b>	63	84	1988	24	124	2012
<b>Youth literacy rate (15-24 years)</b>	18	18	1981	44	51	2011
<b>Adult Literacy</b>	18	18	1981	46	50	2011

Source: World Development Indicators (World Bank 2016b)

Of the above mentioned four factors that were responsible for chronic poverty in Nepal, nothing could be done to address the difficult geography or lack of natural resources. The only means for the nation was to reduce the population growth and devise policies focused that would boost agricultural productivity in rural areas. Similar to most of the poor countries in Sub-Saharan Africa, the Nepali economy during the time was stunted by high population growth, very slow economic growth, very low amount of export volume and large majority of citizens dependent on subsistence farming.

In 1985, GNI per capita of Nepal was the lowest among the 140 countries surveyed; life expectancy was low at 50.1 years ranking 165 out of 193 countries. Reach of the rural population to sanitation facilities was almost none and only few and limited among the urban households. The share of agriculture in GDP was 65 percent in the 1960s and 1970s (World Bank, 1991) and remained at 52 percent in 1985, the fifth highest in the world, behind only the most deprived countries in Sub-Saharan Africa during the time (The four countries with a higher share of agriculture in GDP were Somalia, Burundi, Ethiopia and Uganda).

The 1991 study concluded that poverty in Nepal was there to remain even in the coming years; it also forecasted that under the very optimistic setting, the poverty would still remain at 40 percent by 2010 (World Bank, 1991).

### **1.1.2 Efforts of Poverty Reduction in Nepal**

While the neighboring countries in the region were making progress in poverty reduction in the early 1990s, poverty in Nepal did not see much change until the first National Living Standard Survey (NLSS) was conducted in 1995/96. World Bank (1999) reported that the poverty index had remained almost constant since 1976/77 based on the Survey of Employment, Income Distribution and Behavior of Consumption in Nepal, validating the presence of chronic poverty in Nepal. The prediction of 1990 study proved right as much as 42 percent of Nepalese were still languishing behind the poverty line in 1995 (World Bank, 1999).

Living standard of Nepalese citizens in 1995 had not changed much compared to what they were in the early years. The 1995 NLSS Report showed that only 13 percent of the households had access to toilet; 24 percent of the households had reach to drinking water supply, among which only one -third had water supply available in their residence. Illiteracy was still rife and more than 80 percent of Nepalese women older than 15 years of age did not how to read or write. Transport facilities and infrastructures still was still lacking and about 30 percent of the rural household were at least three hours away from the paved road, and 20 percent of them from a dusty, vehicle passable road (CBS, 1996).

World Bank Report (1999) concluded that the policy recommendations of 1995 NLSS was still not better than the earlier years and as the poverty in rural areas was deep seated, it recommended the government to improve its public expenditure, cut deficits and create an environment for private business. It also clearly pointed at agriculture sector to be given much focus.

The first visible sign of poverty reduction was reflected when the second Nepal Living Standard Survey (NLSS) was organized in 2003. The poverty percentage declined to 31 percent, a reduction of 11 percent over an 8-year period. Due to the long interval between two surveys, it was difficult to exactly identify when the poverty index started falling, yet it was concluded that it did so somewhere during the period of Maoist insurgency between 1995 and 2003 that heavily disturbed the rural lives (World Bank, 2006).

Seven years later, the poverty rate further declined by 12 percent as per the study of 2010 NLSS. The speed of poverty reduction increased further during the second half of the 2000s, from 1.4 percentage points a year between 1995 and 2003 to 2.6 percentage points between 2003 and

2010 as shown in the table 1 above. This unprecedented achievement in the poverty reduction drove the government to re-establish the poverty assessment parameters established in 1995 in order to incorporate the evolving living standards in contemporary times in Nepal.

In the simplest words, a poverty line is a minimum threshold in monetary terms, failing to meet this, individuals are tagged poor. This threshold reflects the minimum amount of Nepali rupees to meet the minimum caloric requirements and basic needs for non-food goods and services. In 1995, the official poverty rate of 42 percent was calculated based on poverty line of Rs.5, 089 per person per year. In 2003, the poverty line of Rs.7, 696 was declared after adjusting for inflation between the two survey rounds.

Again, if the original poverty line was utilized to study poverty in 2010 after inflation adjustments, the adjusted monetary value would be Rs.14, 316 and the poverty rate would have been only 12.5 percent. This, however, becomes erroneous pertaining to the changing living standard of the people and change in the behavior of consumption of non-food goods such as ownership of motor-bike, television, computer, and telephone etc, some of what used to be luxury became necessity. For example, in 2010, Nepalese on average had started to consume more meat and eggs than 15 years ago. Additionally, they spent more than they did in 1995 on non-food items and services.

The new poverty threshold was set at Rs. 19, 262, reflecting all these shifting trends. This represented a real value rise of 35% over the initial poverty level in 1995/96. Even with the updated poverty line, the estimated poverty rate in 2010 was 25%. (World Bank 2013). Contrary to expectations, in the fifteen years between 1995 and 2010 there was a notable decline in Nepal's poverty rate.

The dramatic increase in the international migration in the last 15 years increased the remittance amount inflow to Nepalese economy. In 2010, more than 50 percent of the Nepalese households received some form of remittance compared to only one-quarter in 1995, during which the monetary value of average remittance per household increased six times (ADB, 2016).

Additionally, non-migrant households also benefitted from the spillover effects of migration. Increase in labor incomes, non-agricultural income in particular, increased non agriculture employment opportunities, private enterprises have led to more than 50 percent of the observed decline in poverty. The sharp decrease in the fertility rates and population growth, has

also helped Nepal in shrugging off some of the dependency ration and hence the potential factor poverty (Chalise, 2018).

### **1.1.3 History of Poverty Alleviation Attempts at Policy Level in Nepal**

The discourse regarding poverty alleviation in Nepal at national policy level emerged explicitly during the Eighth periodic plan (1991-1996). Yet, Nepal adopted the Poverty Reduction Strategy Paper as the approach to address the poverty issues only in the Tenth Plan (2002-2007). It was under the leadership of the National Planning Commission that Nepal firmly began studying the Poverty Alleviation and continued to be one of the major priority issues in all the following periodic plans (9<sup>th</sup> plan until the current 14<sup>th</sup> periodic plan). Under this approach, line ministries brought numerous programs targeting agriculture, livestock and skills for income generating activities.

Although the agendas regarding the poverty alleviation surfaced during the **Eighth Periodic Plan (1991-1996)**, this period was mainly focused on liberalization, marketization and encouraging government to support the private sector and build infrastructures for sustainable economic growth and decreasing the disparities between the populations. The programs were directed to create more employment opportunities and creation of productive assets.

Similarly, **ninth plan (1996-2001)**, was solely focused on reducing the population living below the poverty line by 10 percentage within the next 20 years. It aimed to achieve that target through increased production and productivity, more employment, good governance, human resource development and imparting skills to the people. Agricultural Perspective Plan (APP) was formulated for increasing the food production and food security, more job opportunities and income for the rural poor people.

**Tenth plan (2002-2007)** is also remembered as the period of Poverty Reduction Strategy Paper (PRSP) directed solely towards poverty reduction. Its aim was to improve the living standards of extremely unprivileged people, develop the physical, social and economic institutions in the backward and remote areas and improve all the development indicators. It was also designed to increase the access of women, dalits<sup>2</sup>, and janajatis<sup>3</sup> and other endangered groups to funds, social

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<sup>2</sup> Also called as untouchables, is a name for people belonging to the lowest stratum of castes in Hinduism

<sup>3</sup> A general term in Nepal meaning *indigenous groups*, also called as Adivasis.

and economic infrastructure, resource mobilization and impart them income generating skills (NPC, 2002).

**Eleventh Plan three-year interim plan (2008-2010)** was chiefly focused on developing the infrastructures (roads, bridges, hydropower plants, and communication facilities), economic hubs, regional development and meeting the basic requirement and poverty reduction. **Twelfth Plan was also three year (2011-2013)** and specifically focused on programs that would improve the income and employment of excluded minorities and women in remote hills and mountains as well as economically and socially backward Terai communities. It aimed to achieve these through micro lending schemes, skill development training, and subsidies in agro-based production, working together with the private sector and mobilizing government agencies.

**Thirteenth plan (2014-2016)** aimed to reduce the poverty from 25.8% to 18% through the balance development of physical infrastructures, tourism sector, industries, increased export volume, and enhanced agricultural sector, increased employment facilities, good governance and inclusive participation of peoples from the backward communities. However, the target failed short and poverty remained at 21.6% (NPC, 2017).

**Fourteenth Plan (2017-2019)**, also targeted to reduce the poverty percentage as earlier plans. It aimed to bring poverty from 21.6 percent to 18 percent. For achieving that, it prioritized education, agriculture, health and drinking water, energy, trade, tourism and physical infrastructures. It came very close to achieving the target, bringing the poverty to 18.6 % (NPC, 2020).

**Fifteenth Plan (2019-2024)**, this ongoing National Plan with the motto "Prosperous Nepal, Happy Nepali" has also put the 'well- being and decent life' of Nepalese people as long-term vision and 'to build a just society characterized by poverty alleviation and socio-economic equality' as long-term national strategy. This plan as set target of achieving 0 poverty and Per Capita Income of \$12,100 in the nation by Fiscal Year 2043/44.

More than 50 projects to combat poverty are now in operation. Programs for identifying low-income households and distributing identification cards are in place to make sure these initiatives are directed at the real target population. By the end of the planned period, the population living in multidimensional poverty will have reduced from 28.6% of the population in 2014 to 11.5 percent, and the population living below the absolute poverty line will have decreased from 18.7% to 9.5 percent. The Gini coefficient will have decreased from 0.31 to 0.29, and the ratio of the

richest 10% of the population's income to the poorest 40% of the population's income will have decreased from 1.3 to 1.25 (NPC, 2020).

#### **1.1.4 Poverty Alleviation Fund**

In 2003, the government adopted the Poverty Reduction Strategy Paper (PRSP) for achieving sustained higher economic growth and streamlining poverty alleviation efforts. The PRSP was prepared in a participatory manner, underpinned by the Tenth Plan 2002- 2007. The four main pillars of the PRSP report were: (i) fostering inclusive, broad-based economic growth; (ii) enhancing service delivery; (iii) fostering social inclusion; and (iv) enhancing governance (KC, 2019). Tenth Plan aimed to reduce the population living below the poverty line from 38 percent to 30 percent, and fulfill other Millennium Development Goals (MDGs) (NPC, 2002).

Against this background, The Poverty Alleviation Fund Ordinance established the Poverty Alleviation Fund in 2003 as a specialized institution targeted to bring the excluded communities into the mainstream of development. The project was designed to bring traditionally poor, underprivileged, discriminated and disadvantaged into the mainstream of development, by providing them direct access to resources. The Project Appraisal Document (PAD) which was approved on June 1, 2004 stated the objectives as follows: “The Project’s development objective is ‘to support His Majesty’s Government of Nepal in implementing a new, targeted instrument—the Poverty Alleviation Fund—for reaching poor and excluded communities.” It aims to improve the access to income-generating activities and community infrastructure for the groups that have been excluded on the basis of gender, ethnicity, caste and geography (Project Appraisal, 2004). Since its establishment, PAF has been working in the capacity of moderating the World Bank (WB) funded projects and GoN’s Poverty Alleviation program in the country.

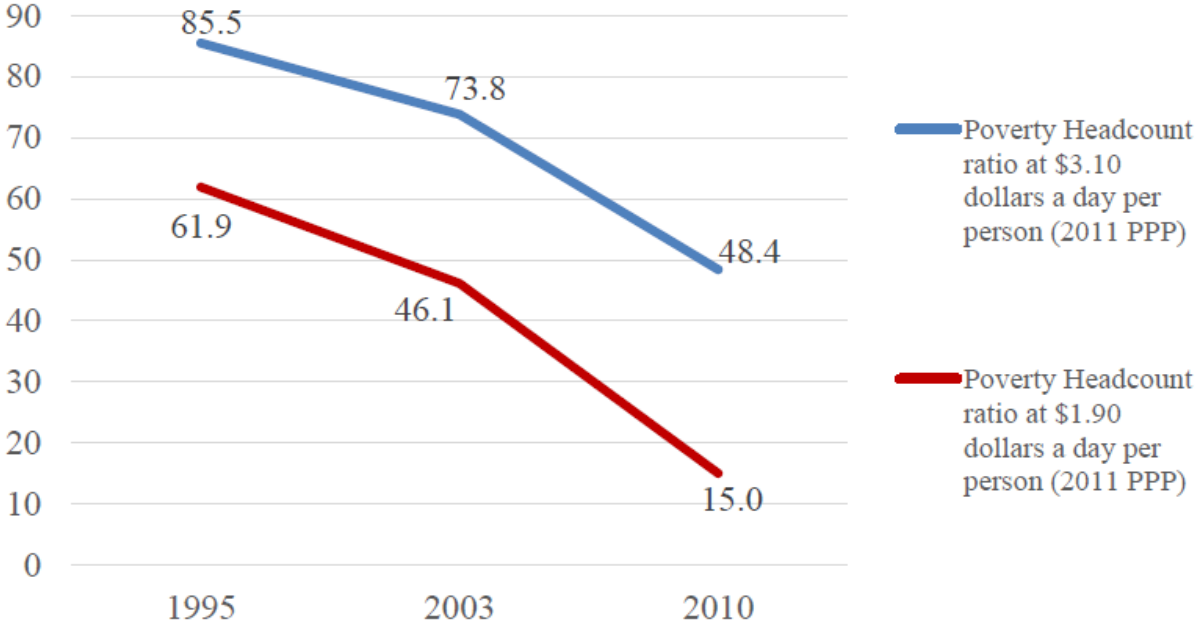
The four main components of PAF are: (i) building capacity and providing grants to community organizations for local infrastructure (ii) sustainable income generation, building capacity and providing grants to community organizations; (iii) product development, market linkages and pilots to help more advanced communities and (iv) to support the formation and development of community organizations, cooperatives and market alliances (CIE, 2018).

At the time of appraisal, Nepal was one of the poorest countries in the world with a 46.2 percent poverty headcount and a per capita GNI of \$260 in 2003. World Bank studies (World Bank and DFID, 2004) revealed Nepal’s most important development challenges as (i) high levels of

poverty; (ii) slow economic growth; (iii) social exclusion; (iv) increasing inequality; and (v) poor governance.

Poverty in Nepal is abundant in rural areas. At appraisal, about 85 percent of the total poor lived in rural areas. These poor people depended mostly on agricultural activities. As the agricultural production in those areas is heavily dependent upon monsoon rain and other climactic conditions, as well as the degree of access to the market, these factors always made them vulnerable to the risks. This further affected the development indicators across geographic regions regarding to the education, health and other welfare services. Studies have shown that data regarding poverty and extreme poverty have decreased significantly in Nepal. However, poverty was still as high as 50 percent, taking \$3.10 per capita per day international poverty line; and extreme poverty stood at 15 percent as shown in the figure below (World Bank, 2016).

**Chart 1 Poverty Headcount ratio at \$3.10 and \$1.9 a day per person**



**Source: World Bank, 2016**

Both the World Bank’s country assistance strategy (CAS) 2004–07 and the 10<sup>th</sup> Poverty Reduction Strategy Paper (PRSP) 2002–07 conceived the PAF as the instrument to address rural poverty and disparities on the basis of gender, community, sect and by increasing the access to



resources. PRSP also highlighted the discrimination and extreme economic hardships faced by females and backward groups such as Dalit and Janajati from remote areas.

Thus, PAF came as a solution to all those widespread challenges. CDD project were designed on a bottom-up approach such that the most poor and underprivileged people could lead in the development priorities, resource management, and implementing the high priority projects. Through PRSP, the government brought direct and quick interventions to help these marginalized groups.

## **1.2 Statement of the Problem**

As per the available literatures, poverty related studies in Nepal, which began in early 90s exclusively utilized Direct Head count ratio. Amidst the changing concept and perspectives of poverty (more to be discussed in the literature section), the poverty these days are more than only physical deprivation and economic hardships. This research is going to fulfill that gap by utilizing the multidimensional poverty index concept as popularized by Sabina Alkire and James Foster from OPHI, Oxford University.

Also, the available works and literatures only delineate the poverty scenario and fundamentally fall short when it comes to identifying the root causes of poverty at local level. Among abundance of literatures, very few specifically explore the behavioral (fatalistic and socio-cultural), structural (demographic size and financial status) and political (institutional and policies) causes of poverty and its perceived notion among the poor and non-poor. As a result, the recommended policy changes and measures have hardly changed the situation of the targeted mass who desperately need the support from the State and its institutions. This research work is based on survey at the lowest level and will be significant in identifying the real causes and consequently prescribe the relevant measures responsible for direct changes in the lives of local people.

Above all, this research work based on the Multidimensional Poverty Index measurement is the first of its kind to be undertaken at Itahari Sub-Metropolitan city, as no such studies were conducted previously and hence this research is aiming to fulfill that research gap.

Given that the governance structure of Nepal has changed from unitary to federal, this research also seeks to explore the real scenario of poverty at local level, its perceived causes and thus, to suggest policy recommendations and measures to address the poverty alleviation right at the grass-root level.

### **1.3 Research Questions**

- What is the current status of Multi-Dimensional Poverty index?
- What is the percentage contribution of individual indexes in the overall MPI of the citizens surveyed?
- What are the perceived causes of poverty among the people?

### **1.4 Working Hypotheses**

**Hypothesis 1:** The average number of households in Itahari Sub-Metropolitan city is 6.

**Hypothesis 2:** The proportion of Poor Household in Itahari Sub-Metropolitan city is 18 %.

### **1.5 Objectives**

Basically, this thesis aims to explore the causes of poverty among the people. The study will assess the different perceptions for the cause of poverty among the rural and urban people. Moreover, this research work will also seek to identify the key parameters responsible for making people multidimensional poor. Large volume of earlier researches indicates that people's notion toward poverty and its cause play key role in the formulation of policies. Underlying all, the thesis aims at:

- Providing insight into the behavioral, structural and political cause of poverty.
- Exploring the socio-economic, demographic and policy level variables of causes of poverty.
- Understanding the multidimensional poverty index.
- Exploring the contribution of individual parameters in multidimensional poverty index.
- Assessing the concept of poverty among poor and non-poor.
- To recommend the relevant measures and institutional changes for the government to address the poverty situation in Nepal

## **1.6 Research Significance**

This research is related to the area of Development Economics taught at DIRD. The research aims to know the conceptual approaches, economic theories causing poverty and the changing dimensions of poverty. Moreover, the research aims to figure out the actual reasons behind Nepalese people still lagging behind the poverty line.

This research will be helpful in discovering the real scenario of poverty and its perception in the changing socio-political and economic process in Nepal. As the research work also encompasses the study of earlier attempts by the government to curb poverty at policy level, it will help in identifying and learning from the policy mistakes encountered earlier. It will help both the personnel at the policy level, the stakeholders at grass root level as well as act as a starting point for anyone researching the poverty in Nepal.

## **1.7 Delimitations of the Study**

The research work utilizes most of the literatures from the Western world view. Author also experienced the scarcity of literatures on the perception of possible causes of poverty and reports on the efficacy of poverty policies, Poverty Alleviation Fund and poverty reduction at local level. Survey is also limited to a small population sample at selected focal points, not all the wards of the city.

Causes of poverty like pandemic, expensive medication, natural disasters, gambling, dowry and untimely deaths due to road accidents, etc will not be considered. Interviews with experts and direct field visits were also limited due to the Covid-19 pandemic.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Defining Poverty**

Poverty has been mostly defined in absolute terms of economic deprivation. People are considered poor when they lack purchasing power to afford the most basic substances for survival (Akindola, 2009). Economic well-being relates to the ability of individuals to acquire a basic level of consumption or human welfare (Wagle, 2008). Sarlo (1996) and Ross et al. (1994) have further defined poverty as deprivation of economic resources that are required to meet the food, shelter and clothing needs necessary for physical well-being.

Alternatively, poverty is seen as a purely relative phenomenon. People are considered poor if their financial conditions are below the average level of wealth in society. Thus, according to these methods, poverty is considered as a phenomenon of inequality.

Additionally, the economists like Marshal Sahlins (1972, 1986) who have studied the economics of primitive and backward people reject the idea that poverty is the relationship between an individual and a bundle of commodities" or between him and the socially defined capabilities and needs (Sahlins, 1972). It is rather a relation between the people and hence the invention of civilization. He argues that those who are considered "primitive" and "backward" do, in fact, have a low standard of living. However, they also have a lot of free time, share their things with others generously, are essentially egalitarian, and most importantly, they do not see themselves as being impoverished, either individually or collectively.

Overall, poverty can be characterized as a lack of capacities or wellbeing; it is complex and takes many different manifestations. If only one criterion is utilized, this renders defining poverty inadequate. Additionally, it should be acknowledged that no single indicator is capable of accurately capturing all aspects of poverty.

### **2.1.1 Historic definitions of Poverty**

Adam Smith has defined poverty as ‘the inability to purchase necessities required by nature or custom’ (Smith, 1776). He further simplified this definition by elaborating the types of necessities, stating ‘by necessities I not only mean the commodities indispensably necessary for the support of life, but whatever the custom of the country renders indecent for creditable people, even of the lowest order to be without’ (Smith, 1776). Through this, Smith presents poverty both in absolute and relative terms. For the latter, he gives the example of linen shirt, stating that the ancient Greeks and the Romans lived very comfortably even in the absence of linen shirts. But, in the modern times, linen shirts have become an indispensable part of life without which even the wage-worker would consider himself reeling in the disgraceful state of poverty (Ibid).

Comparatively, Karl Marx was more direct on the relative dimension of poverty and left the idea of absolute nature of poverty. As stated by Wood (2004) quoting Marx, ‘our needs and enjoyments spring from society: we measure them, therefore by society and not by the objects of their satisfaction. Because they are of social nature, they are of relative nature’.

Seebohm Rowntree in the beginning of twentieth century categorized poverty into primary and secondary poverty. He explained primary poverty as ‘insufficient income to afford the minimum necessities for the maintenance of mere physical efficiency’ (Rowntree, 1901 in Townsend, 1979). Similarly, secondary poverty to him was based on the idea if the people were ‘in obvious need and squalor’, despite them lying above the poverty line he had set (Laderchi et al, 2003).

### **2.1.2 Contemporary Definitions**

The additional available literature in the areas of Development Economics, especially by Amartya Sen (1999) and Martha Nussbaum (2003) transcends the definition of poverty and its dimensions beyond the material acquisition and access to basic needs. They have defined the well-being of people in terms of 'Capabilities' and 'Functioning'. For this, Sen has developed parameters of heterogeneities relating to the individual and his environment (Sen, 1999) that changes overtime and determines the capabilities of the individual to be able to fulfill the requirement. According to him, "absolute deprivation in

terms of a person's skills corresponds to relative deprivation in terms of goods, incomes, and resources," previous conceptions of poverty, both absolute and relative, suffer from a number of faults. (Sen, 1983). Further, Robb (2002) elucidates vulnerability, physical and social alienation, insecurity, lack of self-respect, no right to information, distrust towards state institutions and powerlessness as equivalent to the low income.

### **2.1.3 Definitions by Contemporary Institutions**

The World Bank (1992) defines people as 'poor if their standard of living falls below the poverty line<sup>4</sup>, that means, the amount of income (or expenses) associated with a minimum standard of nutrition and other necessities of everyday life'. The World Bank uses the reference line between \$1.25 and \$2 per day in 2005 PPP terms. But these very low-income levels might not suffice in the developed countries, hence, the Bank offers a more detailed definition in an effort to encompass the conditions of different countries as 'Deprivation in well-being, comprising many dimensions. Low salaries and the inability to obtain the fundamental goods and services required for humane survival are examples of this. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of political voice and insufficient capacity and opportunity to better one's life' (World Development Report, 2004).

Similarly, the European Commission defines poverty in broader contemporary terms as: 'people are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantages through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation' (Commission and the Council on social inclusion, 2004).

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<sup>4</sup> The minimum level of income deemed adequate in a particular country' (Ravallion, 1992). In 2008 the World Bank revised its international poverty line to \$1.25/ day at 2005-based purchasing-power parity (Ravallion, *et al.*, 2009)

Further, the definition of poverty that includes both developing and developed country was published in Copenhagen Declaration of the United Nations in 1995<sup>5</sup>. The summit agreed to define poverty as ‘lack of income and productive resources to ensure sustainable livelihoods: hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterized by lack of participation in decision making and in civil social and cultural life (UN, 1995)

## **2.2 Different Approaches in Defining Poverty**

### **2.2.1 Monetary Approach**

The best predictor of poverty, according to this approach, is money. While having less money signifies poverty, having more money suggests non-poor. You can tell who is in poverty and who isn't by choosing the pay level required to meet the minimum criteria (Van Praag et.al, 1982, Kwadzo, 2010). He is categorized as poor under this and therefore is unable to meet his basic needs since his wage is below the edge level. This boundary's level is determined by the poverty datum line. According to Van Praag et al., a poverty datum line is a wage level below which persons are deemed poor and above which they are deemed non-poor (1982). However, this poverty line excludes non-physical or non-economic support or non-physical parameters of quality of life.

However, using income to measure degrees of well-being has become so entrenched that poverty immediately conveys a lack of income. Citro and Michael (1995), for example, state that poverty "relates to people's lack of economic resources (such as money or near-money income) for consumption of economic goods and services (such as food, shelter, clothing, and transportation)". Although these definitions focus on the notion of financial resources needed for use, they do not entirely spell out the type and extent of utilization. The state of one's health and wellbeing, for example, can accurately assess the

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<sup>5</sup> United Nations, 1995. *Report of the World Summit for Social Development*



state of one's physical life and is a true indicator of the physical quality of life (Morris, 1979). The majority of those who support this concept often define poverty in absolute terms

Here, a person's level of poverty is measured in terms of their ability to meet their basic requirements, which is often the amount of money needed (Hagenaars, 1991; Lipton, 1983). According to Lok-Dessallien (2002), living in the least desirable conditions for society while nevertheless meeting basic needs for food and other necessities constitutes extreme poverty. According to Cutler's (1984) analysis of the definition of poverty, extreme poverty only pertains to people's ability to maintain their own survival and earn a living.

### **2.2.2 Absolute vs. Relative Poverty**

The gathering of 118 Heads of state and government at the World Summit for Social Development in Copenhagen 1995 defines the absolute poverty as:

“Absolute poverty is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services.”

According to Mabughi and Selim (2006), "absolute poverty refers to subsistence below a minimum, socially acceptable living condition". The World Bank (2000) considers a person to be in absolute poverty if his or her consumption or income level falls below some minimum level necessary to meet basic needs. The extent of absolute poverty is also defined as the number of people who are unable to afford sufficient resources to satisfy their basic needs. They are included in the overall population that falls below an international poverty line, which is a predetermined minimum real income level. That line is independent of the level of national per capita income, and takes into account differing price levels by measuring poverty as anyone living on less than \$1.90 per day in 2011 PPP dollars <sup>6</sup>(Filmer et al, 2022).

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<sup>6</sup> As differences in price levels across the world evolve, the global poverty line has to be periodically updated to reflect these changes. Since 2015, the last update World Bank has been using \$1.90 as the global line. As of fall 2022, the new global line will be updated to \$2.15.

When a household's level of living falls below what is typically seen as normal, decent, or acceptable in that culture, relative poverty results (Saunders and Tsumori, 2002). This relates to how the poor's standard of living compares to that of the wider society.

However, both theoretical and empirical evidence have been used to criticize the idea of relative poverty. The strongest criticism comes in the form that the empirical studies have not been able to find the indisputable threshold of resource allocation. The notion that success is solely a product of material riches is criticized by Ringen (1985). He does this by criticizing how poverty is measured rather than the definition.

### **2.2.3 Capability Approach**

By focusing on human well-being rather than just economic well-being, the capability approach transcended the restrictive definition of poverty. It highlighted the fact that capability is used as an optional strategy to conceptualize poverty and that human improvement is a process to increase freedom and choice. Accordingly, poverty is a condition of lack or disappointment where a person cannot achieve or develop certain necessary functionings (or capabilities), where basic functionings (capabilities) are viewed as a person's achieved capacities to sufficiently satisfy certain significant parts at least level (Laderichi et al., 2003 and Kwadzo, 2010). According to Amartya Sen's capability approach, assets like income, education, and literacy don't necessarily indicate what a man would do with them.

The capability approach, according to Sen (1993), "views living as a combination of diverse "doings and beings," where quality of life is measured in terms of the ability to attain valuable functionings." According to Sen (1999), "a man's quality of life or overall well-being depends upon how competent or unable he or she is of fulfilling goals or achieving the things he or she values." According to the capabilities approach, functioning and capability are two crucial factors that affect one's quality of life and wellbeing (Sen, 1999). First of all, functionings are closures that denote aspects of a person's situation, as they are the things that the person can do or be while leading the life that he or she chooses.

Functioning is accomplished by capabilities. The ability to be well-nourished, well-sheltered, to prevent treatable sickness, and to escape early mortality are just a few of the fundamental abilities that people must have in order to carry out their daily activities. Depending on what they value as being important, two people with equally distinct sets of

talents may pursue two completely different sets of functionings. Two people with identical training and skill levels and nearly equal socio-demographic backgrounds, for example, might end up with different types of jobs, wealth, and accomplishments if different factors are valued differently. Depending on their interests, they might even lead different lives and have distinctive social relationships. Here, capability exhibits a different set of functionings.

For instance, better education increases one's flexibility in terms of seeking out diverse sources of income that can yield varying economic payoffs. But all the individuals with the advanced education do not necessarily value financial achievement as the sole purpose of their life. Sen (1992, 1993, 1999), in turn, holds that while abilities have instrumental characteristics that enhance versatility and help one to accomplish the things they consider, capabilities also have inherent values such that they in themselves satisfy the demand of functionings.

In this regard, capacity and functioning are connected but separate elements of wellbeing. One might even be more important than the other, with functionings possibly corresponding to goals that are far more closely related to determining one's level of happiness. However, what connects capability and functionings is the opportunity assessing the level of decision-making one values in leading the kind of life they cherish and have good cause to desire (Sen, 1980, 1992, 1993 and 1999).

The capabilities approach may have changed how people view poverty, but it also needs accurate estimation methods in order to be useful. While Sen was successful in increasing the weight of non-monetary metrics in the assessment of poverty, according to Qizilbash (1996), he failed to provide an adequate record of development. According to him, Sen's methodology struggled to provide an accurate record of improvements in people's quality of life because Sen himself was reluctant to provide a list of significant functionings that could have defined his definition of a life that is not "poor" in accordance with his substantive freedom indicators.

#### **2.2.4 Multi-Dimensional Poverty Index Approach**

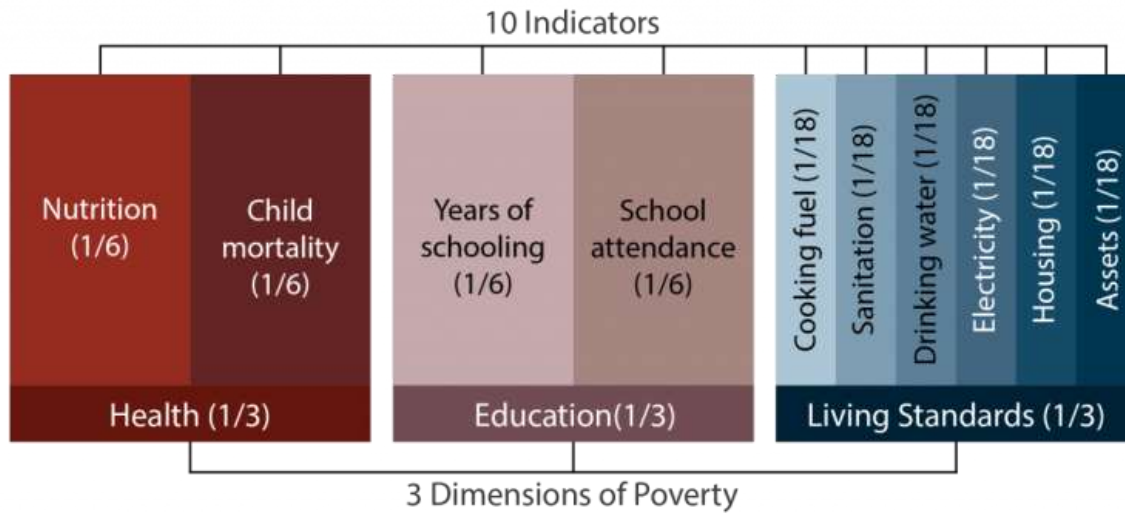
As discussed earlier, there has been a growing realization that income merely cannot be sufficient to measure the level of poverty. Amartya Sen's framework based on Capability Approach negates income as the one and only parameter of measuring poverty. Income gives an imperfect picture as its same numerical value has different effects on the lives of people from different sized households, compositions, profession, geographical location, age and culture. For example; two persons both have a monthly income of \$500. If one lives in the residential area in the neighborhood of elites and another in a slum, the purchasing power and the happiness brought by the same monetary value differ.

Contrary to the earlier practice of using consumption merely as the primary measure of poverty, thanks to the ease in data collection and quantifying in such methods, it has now become necessary to include a more comprehensive and holistic picture of different parameters like nutrition, employment opportunities, water, and basic living conditions and so on.

As a result, United Nations Development Program (UNDP) that used Human Poverty Index from 1997 to 2009 as measure of poverty level replaced it with new Multidimensional Poverty Index (UNDP, 2014). This method was developed by Alkire and Santos (2010) at University of Oxford to study the most vulnerable people and also to keep track of the progress of Millennium Development Goals (MDGs).

The Multidimensional Poverty Index (MPI) is an international standard of measuring abject poverty in various countries worldwide covering over 100 developing countries. It complements conventional monetary poverty measures by accounting also the acute deprivations in health, education, and living standards that a person faces simultaneously.

**Figure 1 Indicators of Multi-Dimensional Poverty Index with Weightage**



© Oxford Poverty and Human Development Initiative (OPHI)

**Source:** Alkire, S., Kanagaratnam, U. and Suppa, N. (2020).

The MPI assesses poverty at the individual level. If a person is deprived of a third or more of ten (weighted) indicators (figure above), the global MPI identifies them as ‘MPI poor’. The extent – or intensity – of their poverty is also measured through the percentage of deprivations they are experiencing.

The global MPI shows who is poor and how they are poor and can be used to create a comprehensive picture of people living in poverty. It permits comparisons both across countries and world regions, and within countries by ethnic group, urban/rural area, sub-national region, and age group, as well as other key household and community characteristics. For each group and for countries as a whole, the composition of MPI by each of the 10 indicators shows how people are poor.

Nepal utilizes *slightly modified version* of MPI. The new structure uses the same three original dimensions, 10 indicators, and the same weighting structure and poverty cut-off. There are adjustments in five indicators: Nutrition, child mortality, Years of schooling, housing and Assets. These improvements run in parallel with Nepal’s aspirations. For instance, in the case of Nutrition, previously the indicator considered nutritional deprivations based on children’s weight for age (underweight). The new indicator now considers both underweight and stunting for children.

The new Child Mortality indicator now focuses on the unfortunate death of children if they were under 18 years of age. Furthermore, the indicator now only considers deaths that occurred in the last 5 years only. Previously, this indicator captured the historic records of child mortality for children under 5 at any time – even if the death occurred 20 years ago. In the case of Years of Schooling, the new indicator is now higher to reflect the idea of educational achievements for the new generations and the deprivation cut-off changed from five to six years of schooling.

**Table 2 Weightage of the Indicators of Multidimensional poverty**

Dimension	Indicator	Household is deprived if...	Weight
Health	Nutrition	Any child for whom there is nutritional information is undernourished in terms of weight for age (underweight) or height-for-age (stunting). (a)	1/6
	Child Mortality	A child under 18 has died in the household in the five-year period preceding the survey. (b)	1/6
Education	Years of Schooling	No household member aged 11 years or older has completed 6 years of schooling.	1/6
	School Attendance	Any school-aged child is not attending school up to the age at which he /she would complete class 8.	1/6
Living Standard	Cooking Fuel	The household cooks with dung, wood, or charcoal	1/18
	Improved Sanitation	The household's sanitation facility is not improved, or it is improved but shared with other households. (c)	1/18
	Improved drinking water	The household does not have access to improved drinking water or safe drinking water is at least a 30-minute walk from home, roundtrip. (d)	1/18
	Electricity	The household has no electricity.	1/18
	Housing	The household has inadequate housing materials in any of the three components: floor, roof, or walls.	1/18
	Assets ownership	The household does not own more than one of these assets: radio, TV, telephone, computer, animal cart, bicycle, motorbike, or refrigerator, and does not own a car or truck.	1/18

Source: NPC, 2021

The changes in the Housing indicator of the global MPI actually built upon Nepal's own adaptation of that indicator in 2018 and considers a person to be deprived if there are deprivations in any of the floor, roof, or walls of household dwelling – in contrast to the previous indicator which only considered floor and roof material. Finally, the list of assets now includes computer and animal cart.

### **2.2.5 Social Exclusion Approach**

Poverty recently have been seen in relations to other socio-economic characteristics like race, ethnicity, sex, social inclusion, non-discrimination, vulnerabilities and the exercise of cultural, political and economic rights. For example, in Mexico, over 80% of the indigenous population is poor, compared to 18% of the non-indigenous population (Todaro & Smith, 2020).

Inequality and poverty are intimately intertwined, and both nationally and internationally, inequality seems to have been rising over the past few decades. More than 80 per cent of the world's populations live in countries where income differentials are widening. The poorest 40 per cent of the world's population account for only 5 percent of global income. On the other hand, the richest 20 per cent account for 75 percent of world income (United Nations Development Programme, 2007).

The main factor causing hunger and undernourishment is poverty. According to most recent estimates of the Food and Agriculture Organization of the United Nations (FAO, 2009), the number of hungry people worldwide is 963 million or about 14.6 per cent of the estimated world population of 6.6 billion, representing an increase of 142 million over the figure for 1990-1992. The ideas guiding the United Nations are anchored in the moral and ethical imperative that poverty be eradicated. Article 25 (1) of the Declaration states that "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services" (UDHR, 1948).

Poverty is also a violation of elementary primary standards of social justice. Social justice emphasizes core principles of non-discrimination and equality, including equal entitlement to fulfillment through exercise of civil, political, economic, social and cultural rights. These principles can only guarantee socio-economic priorities that guide the focus of policy to issues of insecurities, discrimination and differentiated development.

## **2.3 Economic Theories for the Cause of Poverty**

The definitions of poverty that have changed overtime have led to the paradigm shift in the understanding of poverty; from monetary approach to political and social exclusion. This has also led to the development of a number of economic theories explaining the cause of poverty.

### **2.3.1 Classical Economic Theory:**

The classical theory places complete trust in the outcomes of trading in the market and believes that the government has no involvement in managing the self-sustaining market, therefore the salaries that people receive are a reflection of their own productivity. Therefore, this hypothesis contends that poor people make poor decisions, which leads to poverty (poor financial management and self-control). It also adds that physical limitations, some of which are genetically transmitted, have an effect on an individual's overall productivity and cause them to fall into poverty (Davis and Sanchez-Martinez, 2015).

State involvement is wholly undesirable and is perceived as leading to "benefit reliance," which exacerbates poverty among those who already lack basic resources. However, the policy recommendation of this theory allows the government to step in to prevent extreme impoverishment and adversely failing economy.

### **2.3.2 Neo Classical Economic Theory:**

The development of neo-classical economics was sparked by Alfred Marshall's studies and writings. The foundation for this theory was laid by his description of how supply and demand functions affect prices over various time horizons. This theory asserts that the unequal distribution of talent, skills, and resources determines the unequal individual production within the free market economy. It is based on the logic of classical economics. According to Davis (2007), certain externalities including moral decline, poor decisions, and inadequate information appraisal also increase the state of poverty. Uncertainty has a significant impact on a person's level of poverty since poor individuals are more vulnerable to shocks in their life. Neo-classical philosophers are similarly skeptical of government intervention, even while they acknowledge that tiny programs like "microcredits" alter the incentives for the underprivileged (Banerjee and Duflo, 2011).



However, there is a difference in reasoning among early neoclassical economists like Marshall and Keynes and the modern neoclassical thinkers in the sense that the latter do not give the same significance to poverty alleviation if this does not change the efficiency of the resource distribution. The modern welfare economists are more guided by Kaldor-Hick's theorem<sup>7</sup> and give validity to comparing the diminishing marginal utility across incomes. Thus, they argue that extra incomes prove more valuable to poor than rich and hence the utility is increased with the distribution.

### **2.3.3 Keynesian/Liberal Theory**

Liberal theory perpetuates the concept that not only the market instabilities but also the different forms of underdevelopment lead to poverty. The pioneer of liberal economics J.M. Keynes held the idea that market forces can accelerate economic growth and this was the most desirable tool in the fight against poverty. Davies and Mangan (2007) argue that economies are complex systems just like the human beings as a result of which failure in one side (corruption) results in failure in another (market). Keynesian economists like Jeffrey Sachs, thus, suggest that economic growth can alleviate poverty and for this growth to take off, government intervention at macroeconomic level (fiscal and monetary policy) is justified. Sachs (2005) has hinted some of the symptoms of underdevelopment in such nations as poor human capital (health, skills and education), asset capital (buildings, machinery), and weak infrastructure (road, transportation, power, health facilities), mediocre national institutions (rule of law, security) and dearth of knowledge capital (state of art technology, research and development, academics).

Liberal theory departs from classical economic theory in the sense that liberal theorists place more importance on the macroeconomic side and hence give rise to the idea of capital and public goods. These goods, defined by Samuelson (1955) as the 'product that a person can consume without reducing its access to others and from which non individual should be excluded.' For example, better public education, public health, rule of law and security. Keynes, thus emphasized the significance of public education and hence justified the central role of the government. He further stressed that government through economic

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<sup>7</sup> It states that public policy should be more focused on increasing gains in excess of losses and hence compensate the losers, though this compensation does not occur most of the time (Jung and Smith, 2007)

development via the famous *multiplier effects* can effectively tackle unemployment and poverty as a whole. Jefferson (2012) supports his idea stating that a growing economy increases the revenues collection itself and hence avoids the hiking of tax rate to fund its anti-poverty programs.

#### **2.3.4 Marxist / Radical Theory**

Marxist theorists state that capitalism and its inherent socio-political factors based on class division give birth to poverty. According to this school of thought, capitalist classes keep the cost of labor unreasonably lower than its real value and impose the perpetual threat of unemployment on the poor working class. Thus, the idea of a self-sustaining market is completely dysfunctional, as only the working class can regulate it (Blank, 2010). Thus, poverty in capitalist systems can be eradicated only through stricter market regulation, such as employing minimum wages.

When the former welfare recipient enters the low-paid job market, the competition further increases, decreasing the overall wage of all the workers and hence increases the poverty among the working class (Jung and Smith, 2007). The continuously low-paid working class are more susceptible to poor health, substandard education, lacking skills and hence face higher risks of lagging in the poverty trap (Pemberton et al, 2013). Thus, minimum wages can reduce this cycle by setting a benchmark below which the equilibrium of wages will never fall. This will further empower the working class and protect them and guarantee them the most basic standards of living (Kyzyma, 2013).

The Marxist theory gives rise to the dual labor market concept in which the labor market is subdivided into two layers: primary and secondary sectors. Opposite to the primary sectors, the secondary sectors are characterized by the abundant unemployment, lower pay and very less likelihood for promotion. Based on this concept, Marxists like Rank et al (2003) argue that poverty is the result of vulnerabilities inherent in the system rather than the personal characteristics and decision making.

#### **2.3.5 Social Exclusion and Social Capital Theory:**

Social exclusion and social capital differ significantly from the earlier discussed major economic theories in a sense that the core theories are based more on the pure economic principles; whereas these theories, also called eclectic theories, consider wider

aspects and ideas emanating not only from economics but multiple other disciplines, most notably social science and anthropology.

The EU defines social exclusion as the condition in which individuals or communities are excluded from full participation in the society in which they live<sup>8</sup>. Hills and Stewart (2005) define social exclusion as ‘more than the paucity of material resources’ by redefining poverty as a characteristic of society as a whole that can foster a lack of participation. Some forms of non-participation may be exclusion in consumption, production, political participation and social interaction (Morazes and Pintak, 2007). Atkinson (1998) argues that social exclusion theory is more intrinsic and not just complementary, focuses on the dynamics that led to the rise and continual of deprivation and the real agents that cause poverty. It also maintains that inequality is at the core of the social exclusion perspective, the inequality arising not only due to distorted wages but also relatively few opportunities for the poor and excluded (Hills and Stewart, 2005).

The idea of social capital theory was propounded by Loury (1977), who believes that this theory complements the theory of human capital which was originally used to dissect the income differences between the Black and White youth in the US. He views social capital as the result of social status in facilitating the acquisition of higher human capital traits and thus, economic status (Johnson and Mason, 2012). Loury’s concept is useful to explain the dissimilarity in the economic status and living standards between, minorities and non-minorities and hence can explain the cause of poverty to great extent (Osterling, 2007). Osterling further uses this concept to show the relation between acquisitions of other forms of capital such as power.

Durlauf and Fafchamps (2005) explain social capital in the lieu of social networking based on norms and trust resulting in more economic benefits. Their concept inspired Putnam (2000) to conceptualize his popular definition of social capital as ‘connections among individuals, including social networks, as well as the norms of reciprocity and trustworthiness arising from them. His idea led to the categorization of social capital further in two components, namely, bridging capital and bonding social capital. The former involves the set of social networks that bring the heterogeneous groups together. For

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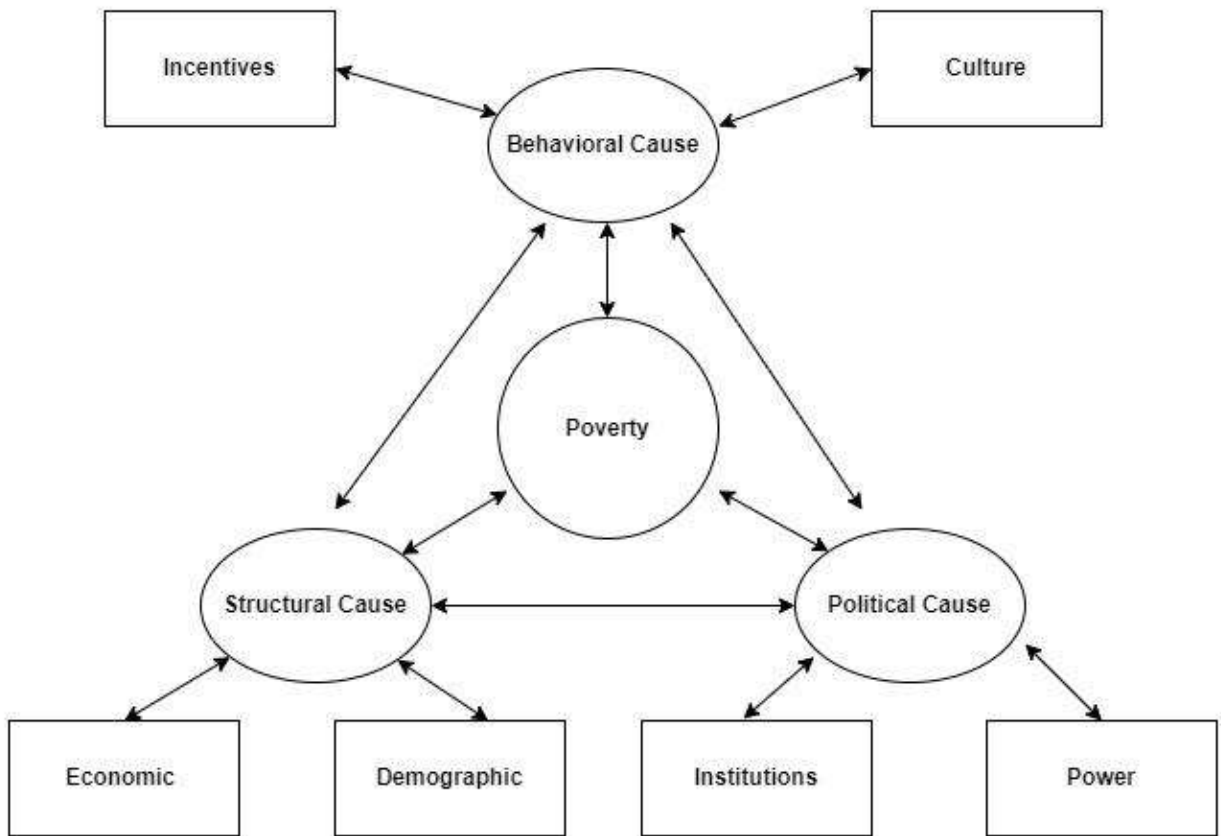
<sup>8</sup> European Foundation for the Improvement of Living and Working Conditions (1995).

example- finding a job within a specific area. Bonding social capital refers to inward looking social networks that offer cohesion and support. It is characterized by strong trust in which a member of this kind of network acts on behalf of others, even at a personal cost, hoping for reciprocity in the future (Osterling, 2007).

## CHAPTER 3: THEORETICAL FRAMEWORK

This thesis is based on the theory that there are three major causes for poverty in Nepal; behavioral causes, structural causes and political causes as shown in the figure above. Behavioral causes can be further categorized in incentives and culture. Incentives refer to welfare packages provided by the government, for example food rations, single mother incentive, etc. Cultural here refers to the customary practices in the society, for example caste-based discrimination, discouraging female employment and so on.

**Figure 2: Theoretical Framework- Causes of Poverty**



Source: Designed by author under the guidance of supervisor

Structural causes are categorized into economic and demographic dimensions. Author uses the assumption that the size of the family income, savings, absence of extra source of income and level of education among members has a lot to do when it comes to

sending individuals into poverty. Similarly, the demographic size such as household number, unemployment resulting from large population too, cause poverty in Nepal.

Finally, political institutions and the power yielded by elites, politicians and businessmen make up the political cause of poverty in Nepal. It is assumed that the policies brought by the policy makers are designed in such a way to benefit certain classes of people and political institutions are means for them to achieve their interest leaving poor, minorities and excluded classes alienated at large.

### **3.1 Research Methodology**

Researching and studying the literature related to poverty and its scenario in Nepal, author has developed an understanding and developed a pattern that poverty in Nepal seems mostly caused by three main factors; Behavioral, Structural and Political causes, much of which was explained in the earlier theoretical framework section. Author also came to find that similar research was conducted and published by scholar David Brady of University of California in 2019 which coincidentally fits the political and socio-economic environment of Nepal. Thus, this work utilizes his theoretical idea with slight modification pertaining to the Nepalese context.

In terms of behavioral causes, Nepalese society still suffers from the age old, traditional and superstitious practices like caste-based discriminations and male chauvinism that females should work only indoors and prefer the boy child. Also, the economic structures like market economy, GDP, employment, overall productivity, trade deficit, etc repress the Nepalese spirit to uplift from the poverty cycle. Similar is the situation with demographic structures like mass migration from rural mountainous areas to urban cities, increasing population density at the destination and hence increasing the competition in the job market.

Finally, with regards to political causes, the political institutions and bureaucracy still reeks of corruption, lack of transparency, accountability, vicious circle of cabals and cartels; the policies formulated largely benefitting certain classes of people at the cost of poor and excluded public who barely get to experience the development, increased access to resources and upliftment in their living standards. As all of these befits the theories formulated by Brady (2019) and the ideas generated by the author, this research will be justified to follow the methodology stemming from the very understanding.

## **3.2 Research Design**

### **3.2.1 Choice of Itahari Sub-metropolitan city**

Itahari Sub-Metropolitan is situated in Koshi Zone of Province-1. This Sub-Metropolitan has 20 administrative wards and is the largest city in the whole Sunsari District in South Eastern Nepal. Itahari Sub-Metropolitan exists as the main transportation junction of Eastern Nepal. The core city center lies at the junction of East-West Mahendra Highway and also the North-South Mahendra Highway connecting Biratnagar and neighboring Indian Border to the mountain region.

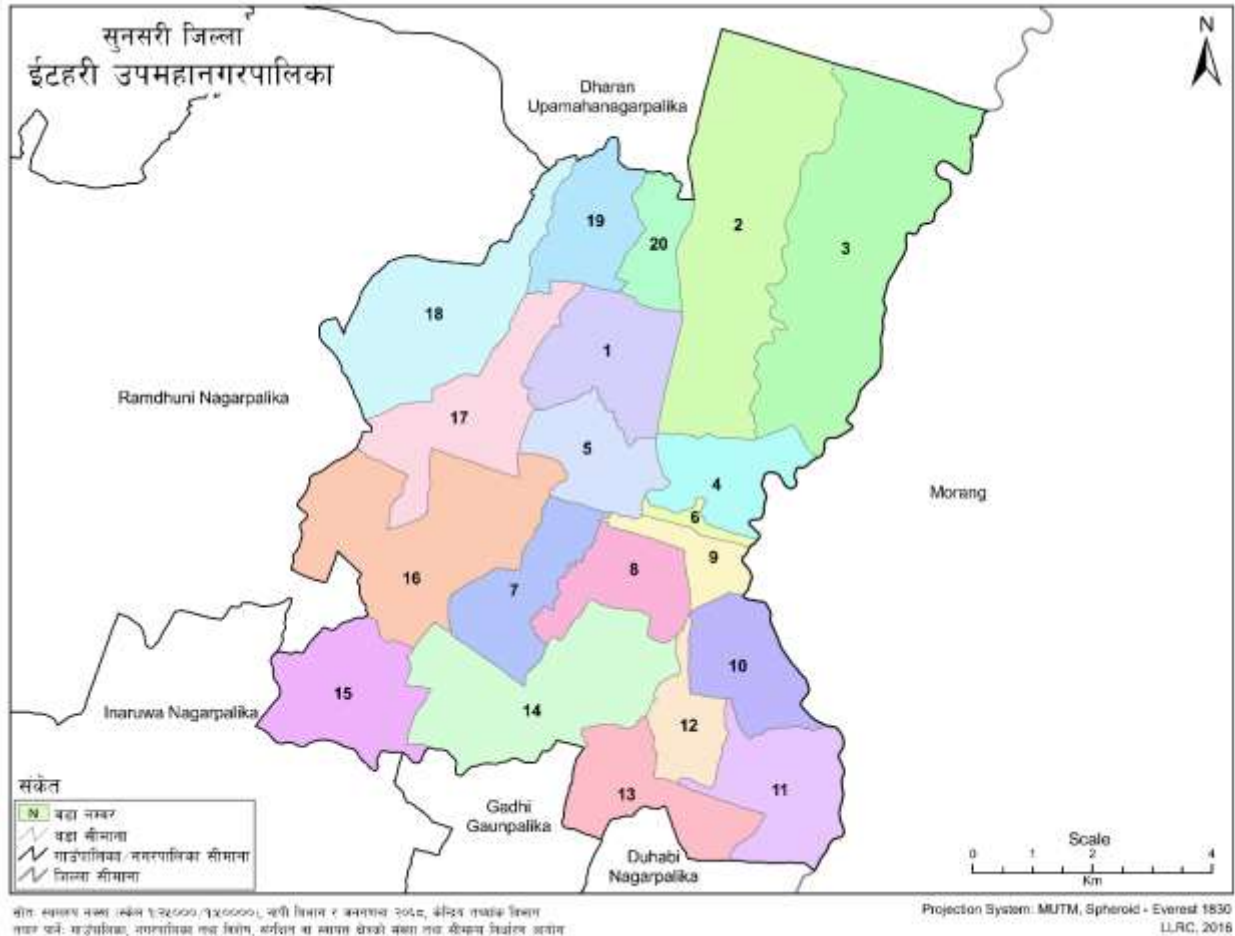
Although much areas of wards like 4, 5, 6, 8, 9, 10, 17 and 20 touch highway and urban marketplace, considerable number of people also reside in comparatively further countryside. The original natives of Itahari Sub-Metropolitan are indigenous Tharu people who found the city clearing the evergreen forest of Terai and, as soon as the settlement started to expand, the Hill-origin people started to migrate here, chiefly due to the plain fertile lands, abundant underground water and commercial opportunities (Gautam, 2017). The ethnography of Itahari consists of Chhetri, Newar, Rai, Limbu, Tamang, Gurung, Mushar, Muslim, Damai, Kami, Sherpa, Chamar, etc. Similarly, the major religious communities in the city are Kirat, Hindu, Buddhist, Muslim and Christian.

Itahari Sub-Metropolitan city was picked as the research city as it is a growing city of economic concern as well as it has a mix of people from different ethnic backgrounds. Also, the citizens of the city belong to variegated socio-economic background and are supposed to offer contrasting survey results. The city houses big business house to people from marginalized and scheduled castes. Another key reason for picking the city as research site was the fact that researcher comes from this town and hence it was assumed to experience ease in collecting survey data.

The fact that author comes from this city might give rise to the chances of preconceived biasedness. This doubt, however, can be avoided given that the author only spent his childhood, and left the hometown at the age of 15 years in pursuit of higher studies and employment opportunities within country and the abroad.



**Figure 3: Map of Itahari Sub-Metropolitan City**



Source: Official Website, Itahari Sub-Metropolitan city, 2020

### 3.2.2 Research design and Methodology

A cross-sectional face-to-face survey using random sampling procedure was conducted among the adult, poor or non-poor population, aged between 18 and 60 years of Itahari sub metropolitan city during June-July, 2022. It utilized surveys, questionnaires, interviews, and data from field visit and focal groups for computation.

#### Sample Size:

The sample size was set to be 240 people in which 90 data samples were collected from seemingly urban areas and remaining 150 from rural settings. The urban and rural focal points were chosen based on proximity to the major town center, commercial surrounding and the

highway. Core urban areas were set based on the city center and directly touching the major highway routes. The urban focal points were picked at least 3 km apart from the major highway route.

### **Design of Focal group and focal point:**

Ward no. 4, 6, 8 and 9- the core metropolitan area was set as urban focal points. 90 participants were selected from these focal points. Similarly, Ward no. 1, 16, 17, 18, 19, 20 were picked as rural focal points and 150 participants were chosen from these areas.

### **Design of Questionnaire:**

Two sets of questionnaires were prepared: one for calculating the multidimensional poverty index (MPI) and another for imaging the perception of possible causes of poverty. The questionnaire for MPI consisted of 10 indexes as prescribed by Alkire-Foster et. al (2015) and weightage as shown in the figure.....was used.

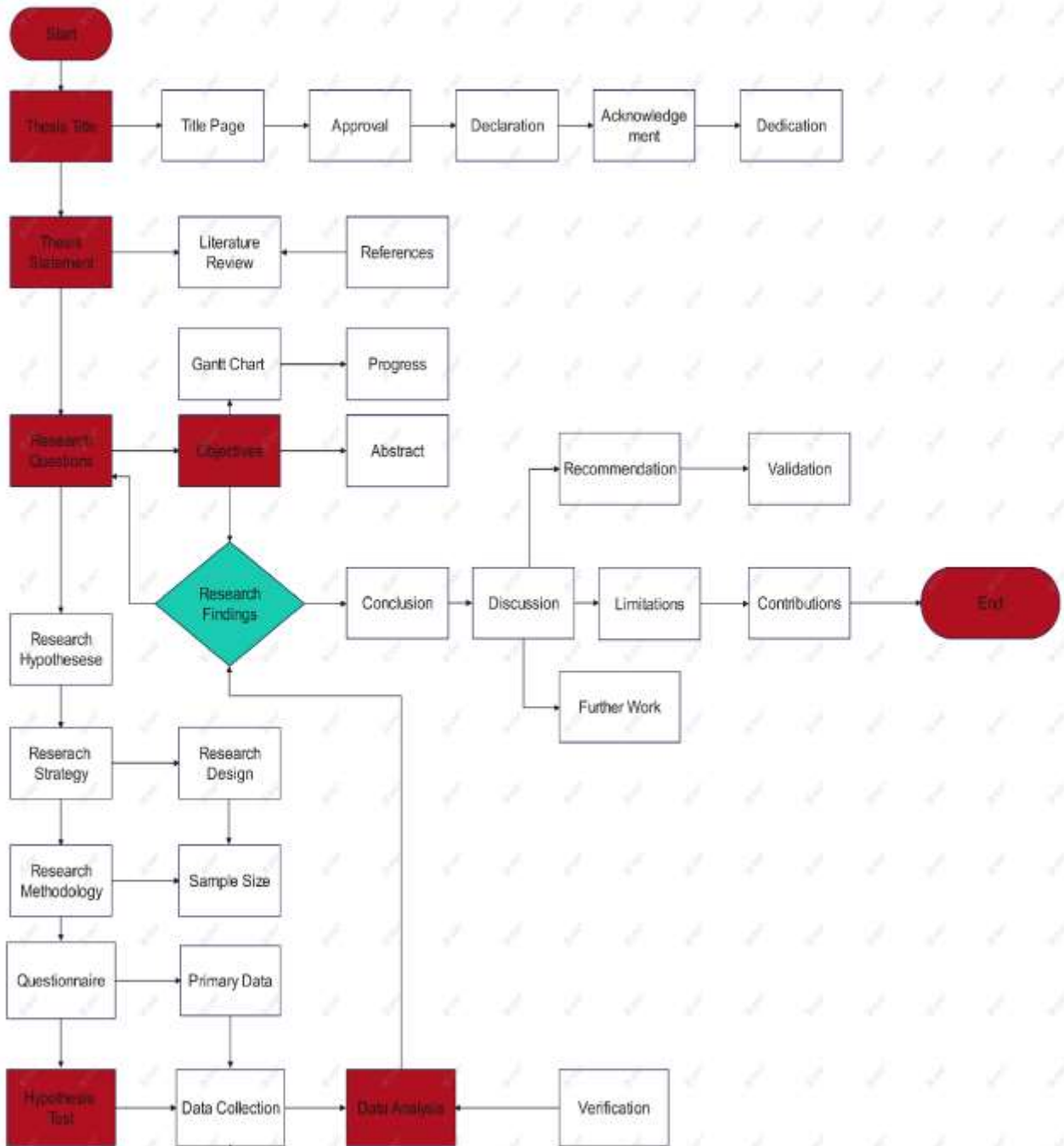
Similarly, the questionnaire set for identifying the possible cause of poverty consists of 15 total questions as shown in the appendix, 5 questions from each of the Behavioral, Structural and Political causes of poverty as discussed in the literature and theoretical framework earlier. The questionnaire was formulated by the author under the guidance of the supervisor.

### **Research Instruments:**

JavaScript codes were written in Visual Studio Code 1.71.0. Library package used was React and Node.js was utilized as back-end runtime environment to execute JavaScript codes programmed to calculate MPI and related terms.

For Hypothesis testing, IBM SPSS Statistics 25 was employed whereas the bar graphs and charts regarding the causes of poverty were created using Microsoft Excel Spreadsheet Version 2207.

**Figure 4 Flowchart of the Thesis with Research Methodology**



### **3.2.3 Research Sites**

- TU Central library and DIRD library for research papers and articles
- Itahari, Sunsari to collect sample data from focal groups

### **3.2.4 Data collection method**

#### **a. Primary Sources:**

1. Surveys and questionnaires with the direct interviewee from focal groups within Itahari Sub-Metropolitan city, Sunsari
2. Discussion with the supervisor, experts related to the topic

#### **b. Secondary Sources:**

1. Physical Books and journals
2. Online databases like JSTOR, ScienceDirect, core, google scholar
3. Official Government Reports (NRB, Bureau of Statistics, NPC, MoF, PEFP)
4. Reports from NGOs and Donors like DFID, WB, ADB, Oxfam,
5. Newspapers and websites with highest degree of credibility

### 3.2.5 Data Analysis:

The research instrument used was two sets of questionnaires; first related to 10 indexes of multi-dimensional poverty index and second related to 15 possible causes of poverty. Multi-dimensional poverty index was calculated using Alkire-Foster et al (2015) counting methodology. For this calculation, program was written in Java Script using library package React.

For the calculation, deprivation matrix  $g_{ij}^0$  is constructed. Following formulae were used afterwards:

Deprivation score of persons  $i$  is denoted by  $c_i(k)$  where,

$$c_i(k) = \sum_{j=1}^d w_j g_{ij}^0(k) \dots\dots\dots i$$

The censored deprivation score is denoted by  $c(k)$  and by definition all deprivations less than the value of  $k$  are censored. Thus, when  $c_i(k) \geq k$  then,  $c_i(k) = c_i$  (deprivation score of person), but if  $c_i(k) < k$ , then  $c_i(k) = 0$ .

Multidimensional headcount ratio or incidence of poverty  $H$  is the proportion of the population that is poor. It is given by,

$$H = \frac{q}{n}, \dots\dots\dots ii$$

Where  $q$  is number of persons identified as poor using censored deprivation score above.

Poverty Intensity ( $A$ ) is the average deprivation score across the poor. It is noted that the censored deprivation score  $c_i(k)$  represents the share of possible deprivations experienced by a poor person  $i$ . So the average deprivation score across the poor is given by,

$$A = \sum_{i=1}^n c_i(k) / q \dots\dots\dots iii$$

The multidimensional poverty index also called as **Adjusted Head count ratio**, denoted by  $M_0$  is given by,

$$M_0 = \frac{1}{n} \sum_{i=1}^n c_i(k) \dots\dots\dots iv$$

Alternatively, multidimensional poverty index  $M_0$  can be viewed in terms of partial indices and can be written as the product of two partial indices. Thus,  $M_0$  can also be calculated as,

$$M_0 = H \times A = \frac{q}{n} \times \frac{1}{q} \sum_{i=1}^q c_i(k) = \frac{1}{n} \sum_{i=1}^n c_i(k) = \frac{1}{n} \sum \sum_{j=1}^d w_j g_{ij}^0(k) \dots\dots\dots v$$

Similarly, the contribution of dimension  $j$  for poverty cutoff  $k$  is given by,

$$\emptyset_j^0(k) = w_j \frac{h_j(k)}{M_0} \dots\dots\dots vi$$

### 3.2.6 Data Entry and Validation:

Data entry for the multidimensional index survey was done setting the value 0 and 1. For each question asked to the interviewee, if he/she reported being deprived in the index 1 was entered and 0 for otherwise as shown in the appendix. The critical value for the poverty,  $C(k)$  was set as standard 0.333.

Similarly, for the 15 questions designed for the possible causes of poverty, same 1 and 0 were entered for 'yes' and 'no' answers, respectively.

For the hypothesis testing, data variables were created in SPSS and household size were entered correspondingly. For the proportion hypothesis testing, the poor were labelled with 0 and non-poor with 1. The data was validated, entered and rechecked by the author under the guidance of supervisor.

### 3.2.7 Testing Hypothesis

Hypothesis testing was done utilizing the software SPSS (Statistical Package for Social Sciences).

The formulas utilized are as follows:

#### **Hypothesis Test for Mean:**

Z Test Statistic for Test of Significance for Mean,

$$Z = \frac{\bar{X} - \mu}{\frac{\sigma}{\sqrt{n}}}, \text{ and}$$

Confidence interval,

$$CI = \bar{X} \pm z \frac{\sigma}{\sqrt{n}}, \text{ where}$$

$Z_0$  is Z static

$\bar{X}$  is sample mean

$\mu$  is expected or Test mean

$\sigma$  is standard deviation

$n$  is the total number in sample

For 95% confidence interval (P value 5% or 0.05),  $z$  value used was 1.96.

## Hypothesis Test for Proportion,

Z Test Statistic for Test of Significance for Proportion,

$$Z = \frac{\check{P} - P_0}{\sqrt{\frac{P_0(1-P_0)}{n}}}, \text{ and}$$

Confidence interval,

$$CI = \check{P} \pm z \sqrt{\frac{\check{P}(1-\check{P})}{n}}, \text{ where}$$

$P_0$  is Test proportion

$\check{P}$  is actual proportion

$n$  is the total number in sample

### **3.2.8 Ethical Issues:**

The participants were chosen voluntarily and within their own comfort zone. Some of the participants hesitated to freely answer the survey questionnaires. To amend this, the anonymity of the surveyed person was maintained. Also, caution was taken while enquiring about their ethnic, socio-economic and religious values and background.

Sometimes, the surveyors explained the questionnaires and its significance to the participants in participants' mother tongue like Tharu and Maithili to make the survey convenient. No animals were hurt as well as no ecological balance was disturbed while carrying the research work. The social harmony of the surveyed community was kept intact as well.



## **CHAPTER 4: POVERTY IN NEPAL**

### **4.1 Current Status of Multi-dimensional Poverty in Nepal**

According to the Report published by National Planning Commission (2021), in 2019, 17.4 percent of Nepalese were multidimensionally poor – just under five million persons, and the MPI is 0.074. Across indicators the highest number of people are deprived of housing materials, clean fuel, and years of schooling and nutrition. Considering the indicator weights, years of schooling and nutritional deprivations contribute most to on- going multidimensional poverty in Nepal. The MPI is 0.074.

Disparities exist: for example, 28 percent of rural dwellers are MPI poor, compared with 12.3 percent in urban areas (using the updated definitions of rural and urban zones), and over half of Nepal's poor population live in rural areas. Across provinces, 39.5 percent of people in Karnali Province are MPI poor– by far the highest – followed by 25.3 percent in Sudurpaschim Province and 24.2 percent in Province 2.

Contrarily, 7.0 percent of individuals live in multidimensional poverty in Bagmati Province, compared to 9.6 percent in Gandaki Province. However, Province 2 has the poorest people, followed by Lumbini Province and Province 1, in terms of population. Given that the SDG's goal is to reduce multidimensional poverty by half over a fifteen-year period, this is an impressive outcome.

Results reveal significant improvement in MPI since 2014 in terms of trends in poverty. Using the revised MPI, the incidence of multidimensional poverty decreased from 30.1 to 17.4 percent countrywide from 2014 to 2017. MPI also decreased from 0.133 to 0.074, almost halving in just five years. Given that the SDG's goal is to reduce multidimensional poverty by half over a fifteen-year period, this is an impressive outcome. In terms of people, it means that only 5 million people remain to escape poverty after 3.1 million people did so in just five years. From 44.2 percent to 42.5 percent, the intensity of multidimensional poverty also dramatically dropped. The outcomes of Nepal are also impressive when compared to other nations on a global scale; according to 2020 global MPI trend data, no country with a comparable beginning level of poverty reduced MPI or its incidence quicker than Nepal.

During that time, all 10 MPI variables declined significantly, with the highest absolute decreases being shown in the areas of cooking fuel, housing, sanitation, years of education, and nutrition. This suggests that development was steady and well-rounded. While there were decreases in both deprivations and cooking fuel across all provinces, patterns differed. For instance, Provinces 1, 2, and Lumbini Province made considerable advancements in increasing child nutrition and school attendance, while Karnali Province demonstrated large decreases in water scarcity.

**Table 3 Nationwide MPI related data**

Poverty Cut-off (k)	Index	Value	Confidence Interval (95%)		Number of Poor	Total Population
					(Millions)	
k value=33%	MPI	0.074	0.067	0.082	4.98	28.61
	Headcount ratio (H, %)	17.4	15.8	19.1		
	Intensity (A, %)	42.5	41.8	43.2		

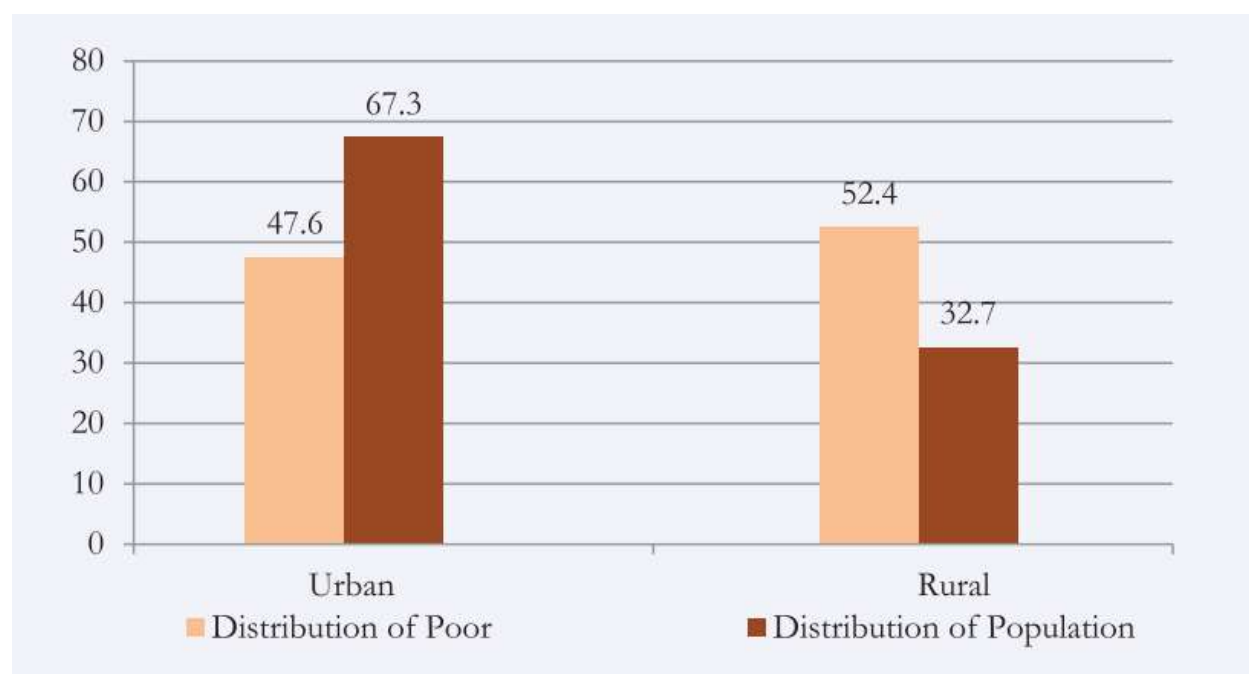
Source: NPC, 2021, based on data from NMICS 2019

The table above shows Nepal’s MPI as measured in 2019. It displays the incidence (the percentage of people identified as multidimensionally poor, H) and severity of poverty (or the average proportion of weighted indicators in which poor are deprived in, A). As can be seen, H is 17.4 for the incidence of multidimensional poverty. The share of deprivations each impoverished individual experiences on average is represented by the average intensity of poverty (A), which is determined to be around 42.5. A poor individual would experience 7.4% of all deprivations if all Nepalese people were deficient in every indicator, according to the MPI, which is the product of A and H.

#### 4.1.1 MPI in terms of Rural and Urban Areas

The national definition of rural and urban areas in Nepal changed between 2014 and 2019. The 2019 NMICS based their analysis in this new definition and found that two-thirds of Nepalese live in urban areas and one-third in rural areas as shown in the chart below. Chart 2 shows the distribution of the poor and general population by area. It is observed that only one of every three Nepalese (32.7 percent) lives in rural areas, nearly half of the multi-dimensionally poor live there (52 percent). It means rural areas still have a disproportionately larger portion of population that is multi-dimensionally poor.

**Chart 2 Distribution of Poor and Population by Rural/Urban Areas, 2019**



Source: National Planning Commission, 2021

Similarly, the table 4 shows the MPI incidence (H), and the intensity (A) of poverty across urban and rural areas. As can be seen in the table, the incidence of rural poverty is higher than the one for urban areas – 28.0 percent and 12.3 percent, respectively.

**Table 4: Multidimensional Poverty in Rural and Urban Areas**

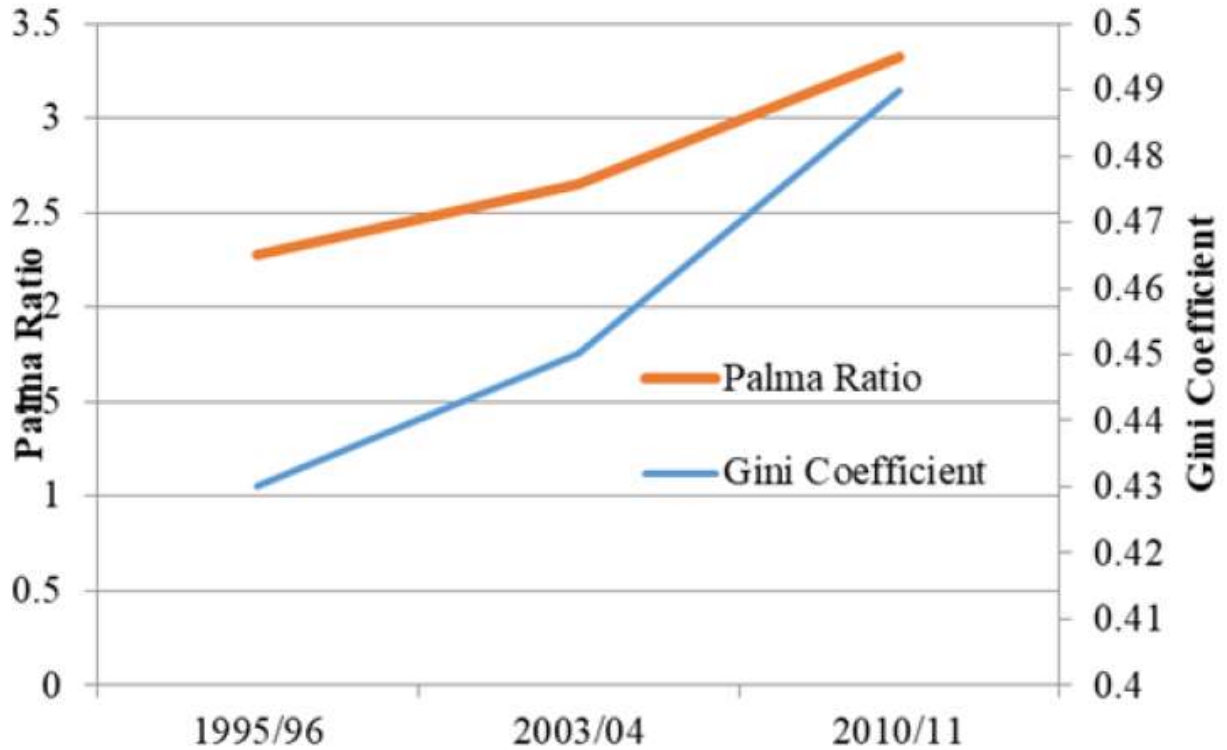
Index	Urban		Rural					
	Population Share (%)	value	Confidence Interval (95%)		Population Share (%)	value	Confidence Interval (95%)	
MPI	67.3	0.053	0.044	0.061	32.7	0.119	0.106	0.132
Headcount ratio (H, %)		12.3	10.5	14.2		28.0	25.3	30.7
Intensity (A, %)		42.6	41.6	43.7		42.4	41.4	43.4

Source: NPC, 2021, based on data from NMICS 2019

## 4.2 Wealth Inequality

Gini coefficients which measure income inequality and wealth inequality has been rising since 1996 as shown in Figure below. In 2010/11, it was one of the highest in the world, at 49.42. The Palma ratio that focuses on the income difference of the top 10 % and the bottom 40 % shows identical trend and at present times, it shows that the income of the richest 10% of Nepalese is more than three times that of the poorest 40% (Oxfam, 2019).

**Chart 3 Inequality in terms of Palma Ratio and Gini Coefficient**



Source: Computed based on NLSS data sets from 1995/96 to 2010/11

\*NLSS survey was supposed to take place in 2019/20 but delayed due to the covid-19 pandemic. Thus, the final results are yet to come and hence author had to rely on the old data set.

Gender inequality also reflects economic inequality. The probability of a rich woman is only 4 times higher than a poor woman, whereas that of a rich man is 50 times. There also remains great inequality in terms of property ownership in Nepal. The latest survey from 2011 shows that only 25.7% of households are female-headed (Ibid).

Landlessness is another form of inequality. According to CBS (2011), more than 83% of people reside in rural areas, and almost two thirds of the whole population depend on agriculture for living. However, the richest 7% are grabbing about 31% of agricultural land; the poorest 20% share just 3%. Additionally, more than half of the Nepali farmers own less than 0.5 hectares of land, and 1.3 million households (29% of the population) are completely landless (Oxfam, 2019).

### 4.3 Social exclusion in Nepal

Although caste-based discrimination was abolished officially in Nepal in 1963 and democracy was established in 1990, discrimination and lack of inclusion were key elements of concern for project approval in PRSP and are still pervasive to this day (World Bank and DFID, 2004). Women, Dalits (formerly untouchables), the indigenous ethnic groups or Janajatis, the Muslims, and Madhesis<sup>9</sup> (the Terai based people with Indian ancestry), were recognized as facing multiple deprivations and social biases and therefore in need of direct intervention from the state.

According to the *Study on Socio-Economic Status of Indigenous Peoples in Nepal* (2014), more than 25% of hill indigenous people still live below poverty line<sup>10</sup>. Newars have a relatively low poverty rate whereas 40 percent of the Kumal, Sunuwar, Majhi and Chepang community still lag below the poverty line. Although the poverty rate for Magars substantially by over 30 percentage points over the 15-year period from 1995/96 to 2010/11, 31.7 percent of them still live below the poverty line.

Tamangs experienced a dramatic 32 percentage point decline in poverty, going from 61.2 percent in 2003/04 to 28.34 percent in 2010/11. Among other indigenous groups, the poverty rates for the Limbu, Rai, and Gurung are 25, 22, and 21.7%, respectively. The Newar group has a poverty rate of 10.25 percent, which is marginally lower than that of hill Brahmin (Ibid).

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<sup>9</sup> the Terai based people with Indian ancestry

<sup>10</sup> The poverty line used by NLSS is set to the rupees per person a normal household will need to buy a normal basket of food that contains 2220 kcal per day, plus normal additional spending for a poor household. In terms of income, it requires NRs. 19,261, including NRs. 11,929 food poverty line and NRs. 7,332 non-food poverty. The poverty line varies by region depending on local prices.

Table 5 below shows measures of poverty in terms of poverty incidence, poverty gap, and poverty severity<sup>11</sup>.

**Table 5 Poverty Incidence, Poverty Gap, and Poverty Severity Among Indigenous People**

Group	Headcount		Poverty gap		Poverty severity	
	Number	Rank	Number	Rank	Number	Rank
Dalit (Hills)	43.6	1	10.9	1	4.2	1
Dalit (Terai)	38.2	2	8.1	2	2.2	3
Terai castes*	28.4	3	5.2	5	1.4	6
Indigenous Peoples (Hills**)	28.0	4	6.6	3	2.4	2
Indigenous Peoples (Terai)	26.6	5	4.9	6	1.4	5
Chhetri	23.4	6	5.6	4	1.9	4
Muslim and other castes	18.8	7	3.4	7	0.9	7
Brahmin	10.3	8	1.7	9	0.5	9
Newar	10.2	9	2.1	8	0.7	8

\*Excludes Terai Dalit and Indigenous peoples and some other Terai castes.

\*\*Excludes Newar.

Source: Subba et al, 2014

## Some indicators among the indigenous and socially excluded Nepalese people

### 4.3.1 Housing:

About 63 percent of indigenous peoples live in mud-bonded houses and only 17 percent live in wooden houses. 76 percent of hill Dalits live in mud-bonded houses and the remaining live in houses made of wood. 71 percent of Magar households live in stone and mud houses. Similarly, most Terai Dalits (84 percent) live in mud bonded or wood houses.

<sup>11</sup> Poverty incidence, poverty gap and poverty severity are the three most commonly used measures of poverty. Poverty incidence gives the percentage of the population whose income or consumption is below the poverty line. Poverty gap provides information regarding how far off households are from the poverty line. The third measure (poverty severity) takes into account the inequality among the poor.

### **4.3.2 Literacy and Education:**

The Terai Dalits has the lowest literacy rate at 31%, while Hill Brahmins record the highest rate at 79 percent. Even though literacy has advanced significantly over the previous ten years, not all indigenous communities have benefited equally from it. Native populations of the Terai other than the Tharu have the lowest literacy rates within this category, at just 50%, while Newars report the highest literacy rates at 75%. Without adding Newars, the adult literacy rates for indigenous groups range from 43% to 60%.

The majority of Terai Dalit people (53 percent) and Terai indigenous groups other than Tharu (40.6 percent and 44.4 percent, respectively) lack access to a formal education. The percentage of hill Dalits and indigenous peoples who never attended school is similar at about 35%. (37.2 percent).

### **4.3.3 Health Facilities:**

A little over 54 percent of the overall population that reported having cancer are indigenous peoples. Dalits make up 20.5 percent of the population with cancer, which is the second-highest percentage. Less than 10% of the overall population with cancer belonged to each of the other groups.

Approximately 61 percent of hill Brahmin women give birth in medical facilities, compared to only 25 percent of hill indigenous women, excluding Newar (60 percent) and Gurung (42.5 percent). With only 16% of Hill Dalit women and 21% of Terai Dalit women getting access to such amenities for delivery, respectively, they are severely disadvantaged.

### **4.3.4 Other facilities:**

Hill indigenous peoples are most disadvantaged in this regard, with only 39 percent having access to a higher secondary school within 30 minutes of their home. Within this group, Magar, Limbu and Rai households have the lowest levels of access, with 29 percent, 34 percent and 35 percent respectively able to access a higher secondary school within 30 minutes of their home. Other than the Newar, about 24 percent of hill indigenous peoples must travel more than two hours to the closest upper secondary school, rendering higher secondary education ultimately out of reach for them due to the time, distance, and associated costs. Only 24 percent of hill indigenous households have access to a public hospital or PHC within 30 minutes of their home, slightly better than hill Dalit households, of which 21 percent have access within 30 minutes.



About 41 percent of all Nepali households have access to a bank within 30 minutes of their home. Only 22 percent of hill Dalits have access to a bank within 30 minutes. Hill Dalits are the most disadvantaged in this regard, with less than 29 percent of households able to access a market centre within 30 minutes of their home. More than 30 percent of Rai households and 24 percent of Limbu and Gurung households have to spend more than three hours to reach the nearest dirt road.

#### **4.4 Drivers of poverty reduction**

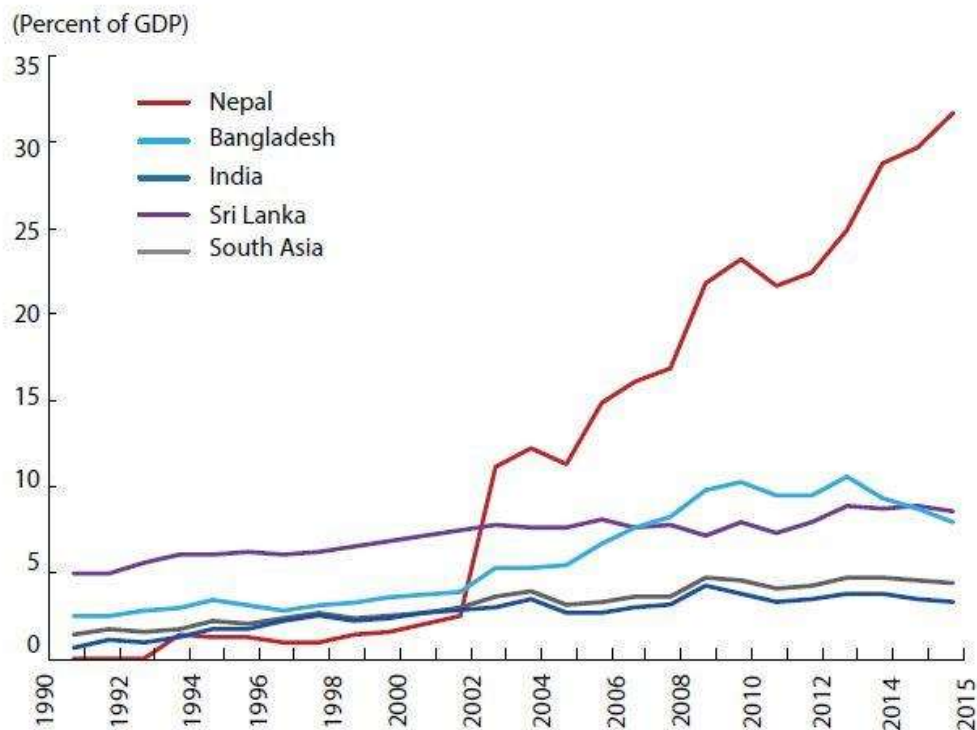
The most commonly cited driver of the remarkable poverty reduction is a drastic increase in remittances received from abroad since the late 1990s (World Bank 2006; World Bank 2013; World Bank 2011). While remittances are clearly an integral driver of Nepal's recent improvements in living standards, it is also necessary to examine other economy wide effects of migration itself. For example, the large movement of young, productive and mostly male population is likely to have affected local economies through labor and other factor markets.

##### **4.4.1 Migration and remittances**

Nepal has seen a drastic increase in remittances received from abroad since the late 1990s (World Bank 2006; World Bank 2013). Based on data from various rounds of Nepal's population census, only 3 percent of the population was abroad in 2001, an increase of 0.7 percentage points since 1981. By 2011, the percent of population residing abroad increased to 7 percent. In terms of households, one in four households had a migrant abroad and almost a fifth (18 percent) of the households had migrants outside India.

The most of the migrant population is young males. In 2011, about 90 percent of the migrants outside India is male. The fraction of males is only slightly lower (85 percent) for India migrants. The typical age of migrants is barely 25 years old, and over 90% of them are between the ages of 15 and 45. 22 percent of the male population in the country between the ages of 15 and 45 reside outside of it. The educated migrants, especially outside India, earn and send more money to their families in Nepal. Over 97 percent of the migrants went to Malaysia and the Gulf countries for work. Personal remittances received were smaller than Bangladesh's or India's GDP until the late 1990s, at less than 1%.

**Chart 4: Remittance Contribution by percentage to GDP of selected countries**



Source: World Bank, 2016

Converted into per capita US dollars, Nepalese on average received lower than \$ 5 of remittances from abroad till 2000 but it reached \$205 by 2014, which is more than twice as much as Bangladesh and the highest in South Asia (94 dollars). The total amount earned through remittance is more than the sum of export receipts and official aid (World Bank 2011).

#### **4.4.2 Privatization:**

Nepal has seen the privatization of 30 state-owned enterprises (SOEs) since 1992, under different modalities; assets and business sales, share sales, management contract, lease, liquidation, and dissolution (MoF, 2072). Out of the 30 privatized SOEs, 11 were scrapped, 1 was liquidated, shares of 11 were divested, and businesses and property of 3 were sold. Today, only 11 are in operation, and only 5 of these are making profits (Ibid). Even some of the most profitable enterprises such as (Bansbari leather Factory, Biratnagar Jute Mills) collapsed after privatization.

Privatization of health, education and other public services has also driven inequality in Nepal. (Khanal et al, 2019).

Annual Review of Public Enterprises (2014) published by the Ministry of Finance shows that the government has lost NPR 4.93 billion in the last few years. This is contradictory in the sense that privatization has actually cost government more money than actually helping it save. As an impact of privatization, the most sensitive areas like health and education have slipped from the reach of poor and minority people, creating more inequality and social divide.

#### **4.4.3 Changes in Policies: Industrial acts and regulations:**

Under the tutelage of Washington Consensus and advised by IMF and World Bank, the government introduced new policies and acts in favor of free market. Some of them are Industrial Policy 1992, Industrial Enterprises Act 1992, Foreign Investment and One-window Policy 1992, and the Foreign Investment and Technology Transfer Act 1992 (Shrestha, 2010). These policies were designed to promote private investment and accelerate industrialization in Nepal. For this, some of the key policy incentives were large tax exemption and removing the mandatory permission required for the establishment of industry, with some exceptions. Full foreign equity participation was made permissible in large and medium-sized enterprises. The Foreign Investment and Technology Transfer Act 1992 have made the whole process of obtaining visa and dispute settlement mechanism convenient and easily accessible for the foreign investors (Khanal and Shrestha, 2008).

Nevertheless, some of the policies implemented to favor the business enterprises come at the cost of poor workers. For example: the Nepal Labor Act 2017 which provides employers greater leverage to hire and fire the workers has led to more exploitation of the employees, and the Special Economic Zone (SEZ) Act 2016 that gives investors tax and duty exemptions allows the employers to opt out of Nepal's labor laws (Khanal et al., 2019).

#### **4.4.4 FDI**

Historically, it is seen that very small amount of FDI was incoming prior to 2007/08. Thereafter, significant improvement has been observed in FDI approval. For example Rs. 67 billion FDI was approved in 2015/16. Similarly, the pace of actual FDI inflow was slow till 2007/08 and accelerated after the commencement of peace process in 2008 ending the decade long Maoist insurgency. The amount of net FDI that was recorded was Rs. 9.2 billion in 2011/12

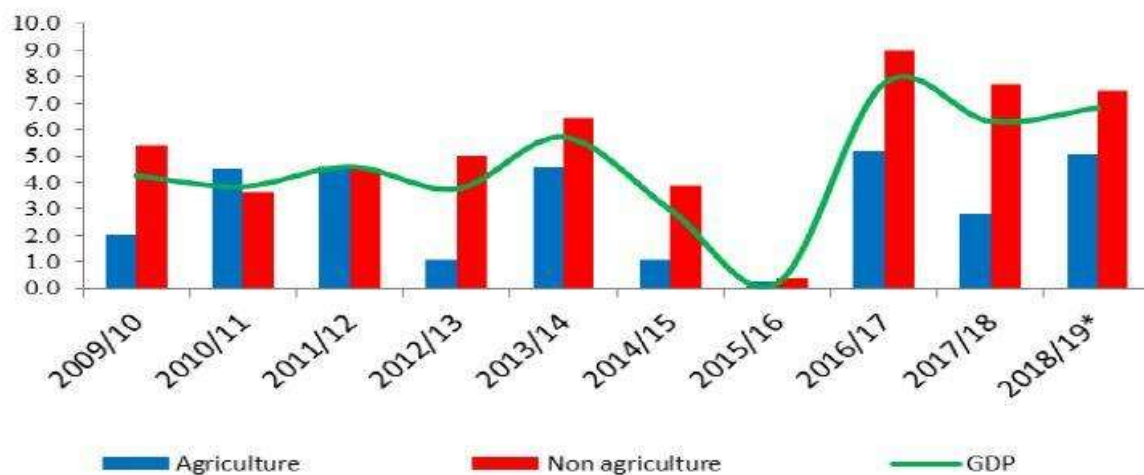
whereas the FDI recorded during the 2000/01, 2001/02 and 2005/06 shows the net outflows (Nepal Rastra Bank, 2018).

Nevertheless, the FDI share of Nepal is very low at only 0.01 % of total FDI in the world, while the South Asia received 3.1 % of total FDI inflows in 2016. According to Doing Business Report published by World Bank (2020), Nepal stands at 94 among 190 countries surveyed. Although Nepal has improved its position from the previous year, the report states Nepal has seen both the positive as well as negative moves for doing business here (Nepal Rastra Bank, 2018).

#### 4.4.5 Socio-economic aspects

According to the Economic Survey by Ministry of Finance (MoF) and Centre Bureau of Statistics, CBS (2019), the average economic growth rate has been 4.6 % per annum for the last decade. Since being hit by the earthquake and border blockade in 2015, the Nepalese economy has been expanding and recorded 7.3% growth compared to FY 2017/18.

**Chart 5 : The Economic Growth (along with GDP) in percentage per annum**



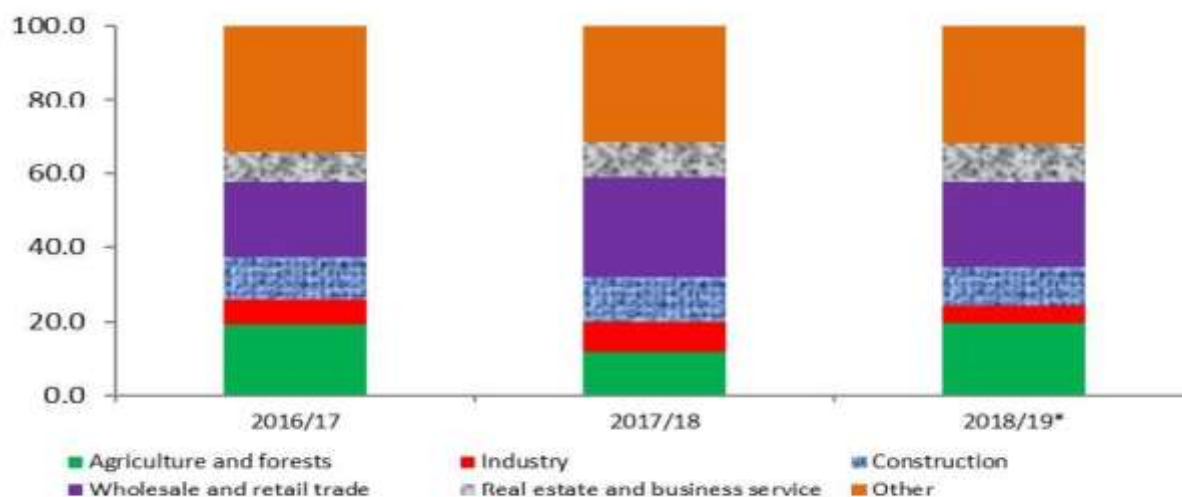
Source: CBS, 2019

\*Estimated

Nevertheless, the trade deficit in terms of Import export has been increasing, for instance, total export of goods increased by 14.6 % (Rs. 61.22 billion), compared to import of goods increasing by 23.8 % to Rs. 949.11 billion. During this period, the total trade deficit has increased by 24.5 % to Rs. 887.89 billion (Ministry of Finance, 2019).

Agriculture, regarded as one of the major sources of employment and livelihood in Nepal has grown at just 3.1%. On the other hand, the non-agricultural sector grew at 4.65%; with the financial sector and services registering the highest rates at 7.1% and 7.6% respectively. Manufacturing also saw very slow growth at 1.9% per year.

**Chart 6 Sectoral Contribution to GDP by Percentage**



*Source: Analysis of data from the Statistics of the CBS, FY 2018/19 \* Estimated*

As shown in the chart above, retail trade had the highest contribution to GDP with 23.1 %. Similarly, the contribution of agriculture and forest areas, real estate and commercial service, construction, production industry and others to GDP was estimated at 19.7 %, 10.4 %, 10.3 %, 6.5 % and 31.7 % respectively. For the past last 5 years, the contribution of the industrial manufacturing has been 5.5 %. In the FY 2018/19, it had grown by 5.6% (Ministry of Finance, 2019).

Similarly, the construction sector which is supposed to play a very important role in creating jobs in Nepal grew with a rate of just 3.5%. This shows employment is shunted; as growth is not translating into jobs. This explains the employment elasticity declining sharply in the period 2001 to 2011. There was even negative elasticity in manufacturing, electricity, gas and water, restaurant and hotels at the rate of 4.85, 1.83 and 1.43 respectively (Khanal, 2015)

More than 500,000 people enter the labor force each year in Nepal, but employment opportunities still remain scant. Thus 80% of the working population seeks employment abroad. The majority

of graduates decide to relocate overseas in search of better possibilities. Every other Nepalese family in Nepal has at least one migrant, and more than fifty % of the household receive remittances. Although the share of remittance to GDP (Currently at 24.9 as per NRB report 2017/18) has been increasing, most of the families still are not better off and can hardly pay for all the amenities as most of them working overseas are engaged in low-paying jobs. The vast majority of workers (96%) remaining within the nation are employed in the informal sector and face great job insecurity and underemployment.

Further, Nepal has not been able to tackle the illicit money transactions. It has been reported that Nepal stood sixth top exporter of illicit financial flows among least developed countries (LDCs) from 1990 to 2008, resulting in loss of \$9.1bn from the country which is almost eight times the official development assistance (ODA) Nepal received during that period (UNDP, 2011). Crony capitalism has been rampant in Nepal. There has been a significant wealth capturing by those in trading businesses, as the weak regulation, weak track of punishment to the wrongdoers and vicious cycle of relationship between political leadership, unethical businessmen, bureaucrats and corrupt judiciary is thriving. Nepal's performance in terms of corruption is also very poor. In Transparency International's Corruption Perceptions Index (CPI) conducted in 2019, Nepal ranks 113 out of 180 countries studied. This shows that Nepal is one of the most corrupt countries in the world, leading to further inequalities in the society.

#### **4.4.6 The agricultural sector**

Nepal exported goods related to agriculture. In the 1960s, Nepal was the third-largest exporter of rice in the world. However, Nepal has been importing more agricultural products over the past few years. Cutting agro-based product subsidies, as recommended by the WB and Washington accord, is one factor (Bhurtel, 2020). Exports of food and livestock have decreased by 9.9% until mid-March of FY 2018/19 as compared to the same period last year. On the other side, imports over the same time increased by 13.8%, totaling Rs.138.06 billion in agricultural imports (Ministry of Finance, 2019).

After 26 years of failing to do so, the government again began marginally subsidizing the sector in 2010 after the World Bank, in its World Development Report of 2008, suggested that agriculture held the key to Nepal's economic development and recommended the subsidy program.

#### **4.4.7 Public spending and Infrastructures:**

In the beginning under the SAP, the government spending was very low reducing the government's ability to tackle the inequalities as discussed earlier. Realizing this, the government started increasing the spending; in 2011/12 it increased 10 times that of 2001/02, with spending as a share of GDP increasing from 17.4% in 2001/02 to 31.7% in 2016/17 (Ministry of Finance, 2017).

Table 6 Public Spending by Sector in different Fiscal Year (as percentage)

Details	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19*
General Public Service	29.4	25.36	25.17	48.22	51.93	56.36
Defense	8.27	7.85	6.85	5.47	6.29	6.11
Public Peace and Security	8.85	8.17	9.96	6.8	7.86	6.3
Economic Affairs	15.5	18.22	19.72	21.1	17.11	15.62
Environment Protection	0.83	0.67	0.57	0.37	0.59	0.29
Housing and community facilities	0.7	0.84	0.95	1.14	1.1	0.8
Health	7.72	8.2	7.58	4.17	3.66	3.99
Entertainment, Culture and Religion	0.88	0.96	0.97	0.67	0.53	0.45
Education	23.5	24.36	20.89	6.42	6.18	4.76
Social Security	4.35	5.36	7.33	5.64	4.76	5.32
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Ministry of Finance /Financial Comptrollers General Office, FY 2018/19 \*up to mid-March

However, health spending fell from 7.7 % of total spending in 2013/14, to just 3.99 % in 2016/17, and education spending dropped from 23.5 in 2013/14 to 4.76 % in 2018/19 (Ministry of Finance, 2019).

The road density of Nepal is still very low in the South Asian Region- with 47 km of road per 100 square kilometers, and 2.5 km of road per 1,000 people compared to 12.2 in Bhutan, 4.1 km in India, and 5.5 km in Sri Lanka (ADB, 2018). Thanks to this poor infrastructure, the cost of exporting container of goods from Nepal in 2014 was \$ 2545, which is way higher, compared to \$765 from Pakistan, \$1281 from Bangladesh and \$1332 from India (World Bank, 2020).

Road Sector Development Project funded by IDA/IBRD which was closed in 2019, with total project cost 50.6 million USD has also fared only moderately with the evaluation being only moderately satisfactory as studied by IEG (IEG, 2017)

Regarding electricity, Nepal's theoretical hydropower potential has been estimated at about 83,000 MW and its technically and economically feasible potential of about 45,000 MW and 42,000 MW respectively (Shrestha, 1966). The total installed capacity of hydropower stations and thermal power plants under Nepal Electricity Authority now has reached 559.29 MW and 53.41 MW respectively (NEA, 2019). This is less than 2 % of the economically viable capacity that can be exploited (World Bank, 2017). Only 76.3% of the total population has access to electricity as a source of lighting (CBS, 2016).



#### **4.4.8 Educational sector**

The Education for All Project (EFA) (2004-2009) was executed through a Sector Wide Approach (SWAp). The World Bank Group was one of the donors. The estimated total project cost was US\$664 million. The project was moderately unsatisfactory according to Project Performance Assessment Report (PPAR) (IEG, 2015).

Nepal has made positive progress in educational sector in recent years. The literacy rate (children over 5 years) has risen from 50.6% to almost 65.6% between 2003/04 and 2015/16. However, significant steps are still required to make sure that all children can access quality education. It has been estimated that 17% of children entering grade 1 still fail to complete the primary cycle, and less than one-third reach grade 10. Only 6% of the poorest girls complete primary school. Absence of better infrastructures and well-trained teachers still inhibit the educational endeavors (Khanal et al., 2019).

#### **4.4.9 Health:**

World Bank Assisted Health, Nutrition and Population (HNP) project (2015) costing 1.527 USD as assessed by IEG (2018) has shown only modest and moderately satisfactory result. Recently, the government has committed to Universal Health Care (UHC), starting free health services and the universal Safe Motherhood programme. This aims to decrease maternal and child mortality and also increased the distribution of medicines, free of cost, through health posts, and public hospitals.

Despite this, more than one-third of the population still lack access to healthcare. Substantial gaps in life expectancy, nutrition, infant mortality and reach to health services across various indigenous groups and geographical terrains. Most of the marginalized communities still lack the access to free services and many publics still lack the proper information regarding the facilities due to inadequate educational programme to inform the civilians and lack of knowledge regarding free services and also absence of target groups among the medical staffs working in the hospitals (WHO, 2015). Lack of qualified medical personnel is another huge challenge for Nepal. Government estimates show only 8,600 medical doctors are available when the demand actually is 20,000 to tend to the whole population. Presence of one doctor for every 1,734 people in Nepal exactly reflects the medical dearth of Nepal.

## CHAPTER 5: DISCUSSION AND ANALYSIS

### 5.1 Multidimensional Poverty Index of Itahari Sub-Metropolitan city

After the survey data were entered in the matrix, the algorithm written in the JavaScript gave the results. As shown in the table below, the multidimensional poverty index of Itahari sub metropolitan city was found to be 0.09. It means that the people of Itahari experiences 9 percent of the total deprivations that would be experienced if all the people in Itahari were poor and deprived in all the indicators.

It is seen as shown, the incidence of poverty (or the people identified as multidimensionally poor, H) is 21 percent. Since this evaluation is based on a sample of population, it has margin of error and hence the 98 percent confidence interval is also shown. The true multidimensional poverty headcount ratio lies between 15.8 and 26.2 percent. Similarly, the average intensity of poverty (A) that shows the share of deprivation each people suffer on average is 43 percent.

**Table 7 Multidimensional Poverty Index of Itahari Sub-Metropolitan City**

Poverty Cut-off (k)	Index	Value	Confidence Interval (95%)		Number of Poor	Total Population
k value=33%	MPI	0.09	0.054	0.126	41600	198098
	Headcount ratio (H, %)	21	15.8	26.2		
	Intensity (A, %)	43	36.8	49.2		

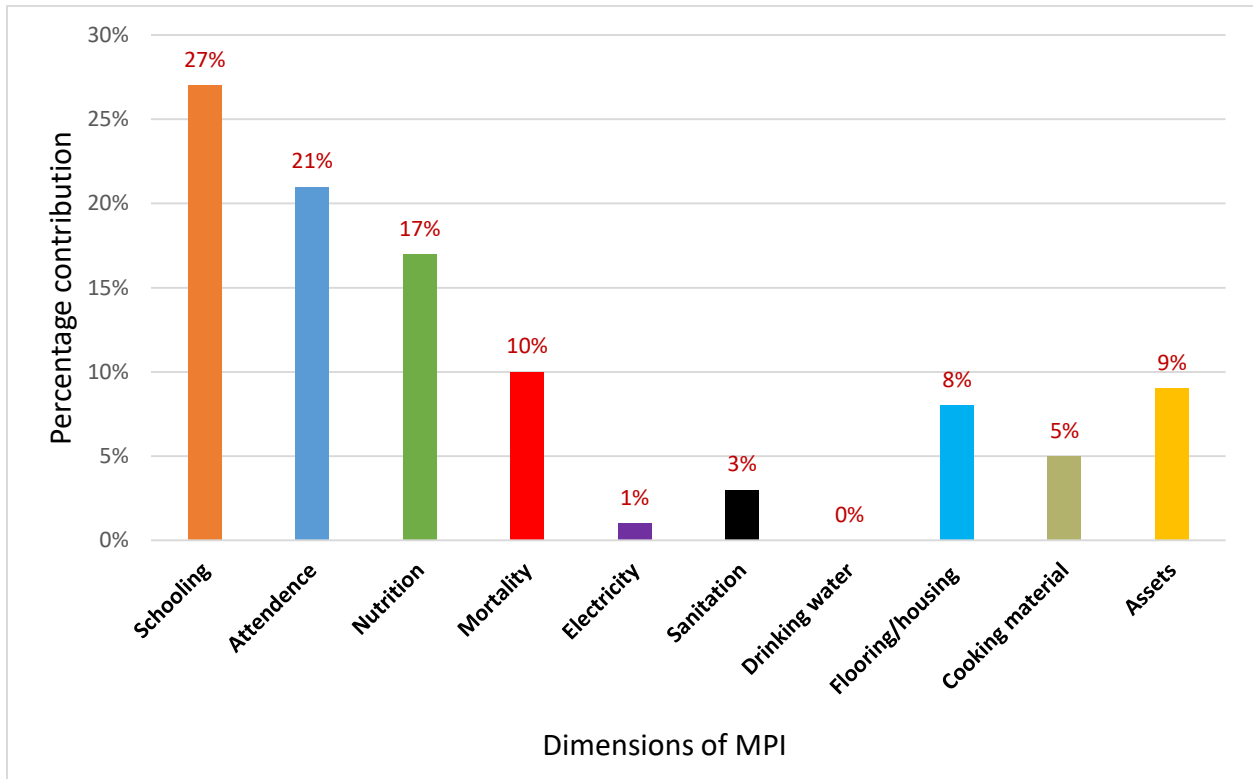
Source: Calculated from the survey questionnaire Set 1 shown in Appendix

### **5.1.1 Percentage contribution of Individual Dimensions**

The chart below shows the composition of multidimensional poverty by weighted percentage contribution. It is to be noted that Health and Education dimensions have higher weights, thus it is expected that these sectors will have higher contribution to the MPI.

In Itahari, the schooling contributes to the highest deprivation percentage at 27 percent. It is then followed by the attendance and nutrition. In overall, dimension of Education is the largest contributor to the Multidimensional poverty followed by the dimension of health. The sum total of the contribution of all the living standard indicator stands at 26 percent.

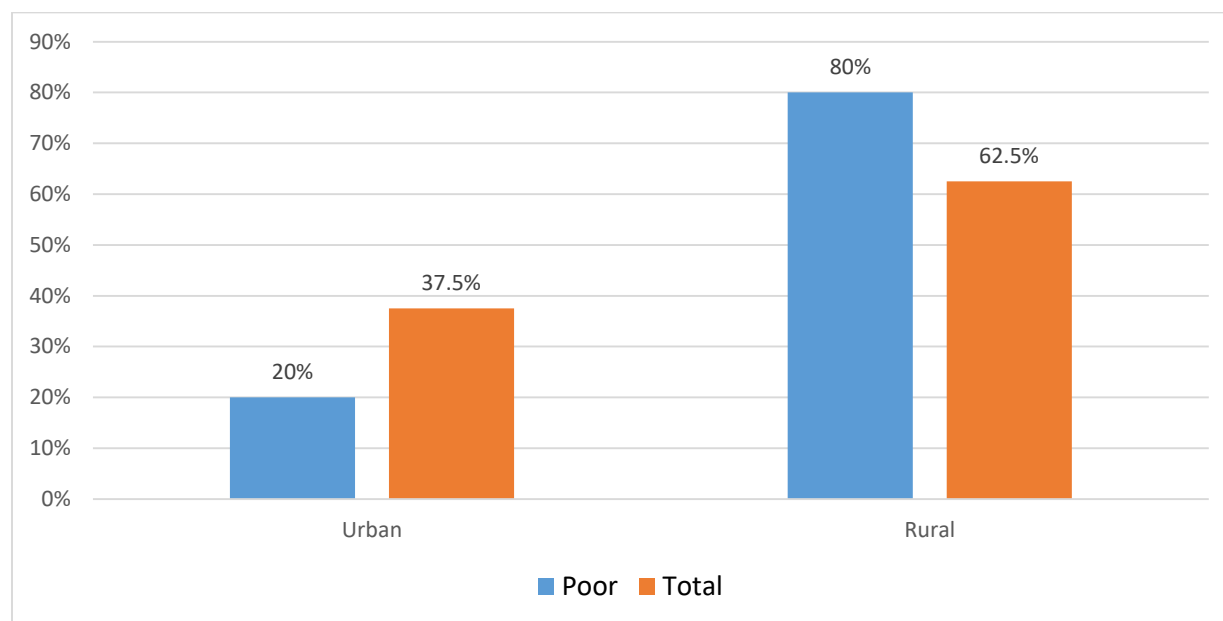
**Chart 7 Composition of multidimensional poverty by weighted percentage contribution**



Source: Calculations based on the Survey and Questionnaire set 1 given in Appendix

## 5.1.2 Poverty Profile in Rural and Urban Areas

**Chart 8 Poverty in Rural and Urban Areas**



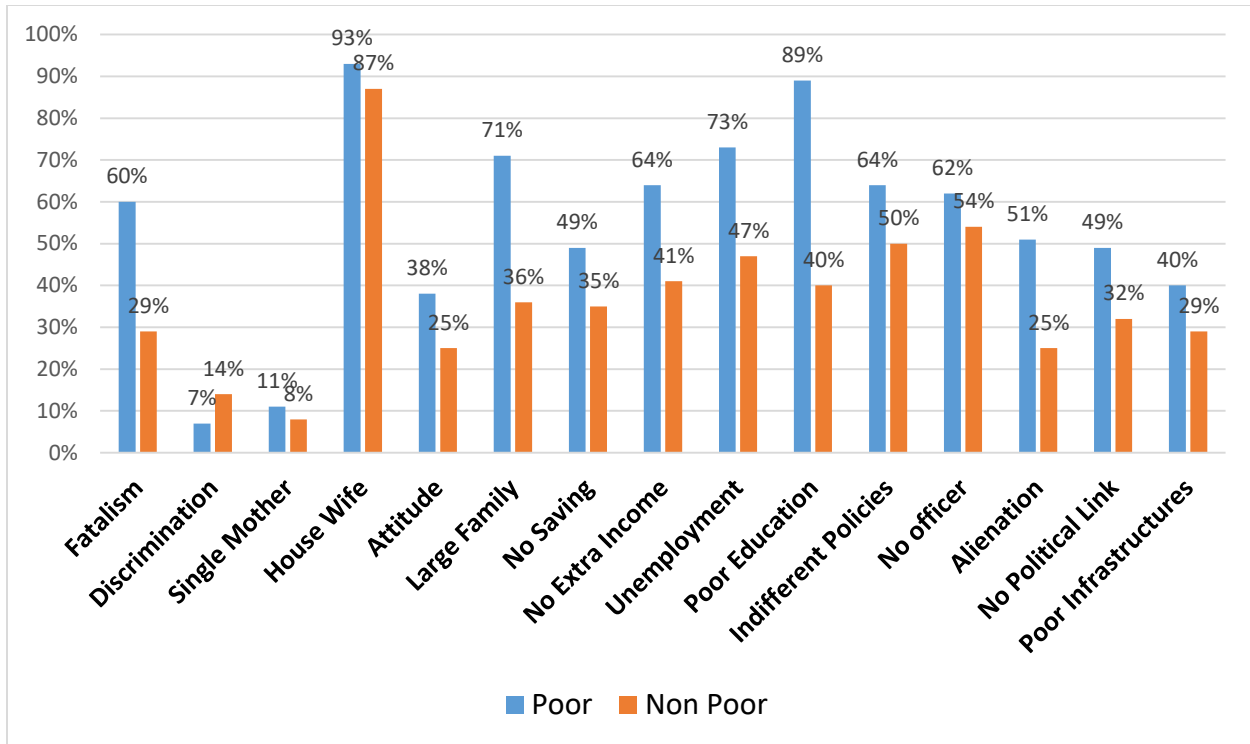
Source: Calculations based on the Survey of Questionnaire Set 1 in Appendix

The survey showed that 20 percent of the poor people only stayed in the urban areas whereas 80 percent of the poor reside in the rural areas. Of the total surveyed population, 37.5 percent people belonged to the core city areas whereas 62.5 percent people came from the villages.

## 5.1.3 Socio-Economic Profile of Poor and Non-Poor

The survey showed that majority of the people believed that women should be allowed to work outside home and confining them only to domestic chores and household work led to poverty. Both poor and non-poor agreed mostly on this with their response in this parameter being 93 percent and 87 percent respectively. Most of the poor people (89 percent) blamed poor education followed by unemployment and large family being responsible for their poverty. A considerable number of poor (60 percent) also held the idea that it was their fate to be poor. Almost two third of the poor people also stated that state policies were indifferent to their poverty status.

**Chart 9: Perceived Causes of Poverty**



Source: Calculated based on Survey Questionnaire Set 2 given in Appendix

## 5.2 Test of Hypothesis

### 5.2.1 Hypothesis Test for mean Household size

It was assumed that average household size is 6 and tested for two-tailed test at 95 percent significance interval. The test was performed in IBM SPSS Statistics 25.

**Table 8 One Sample, 2 tailed T-test of Mean Household Size.**

<b>One-Sample Statistics</b>						
	N	Mean	Std. Deviation	Std. Error Mean		
Size	240	4.7750	1.33170	.08596		

<b>One-Sample Test</b>						
Test Value = 6						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Size	-14.251	239	.000	-1.22500	-1.3943	-1.0557

Source: Calculations conducted on SPSS based on survey of Questionnaire Set 1

The result shows that t value is really significantly less and the significance of two tailed is 0.000 which means this happening by chance alone is very small. Hence, the null hypothesis that household size is 6 is rejected. The left and right-side tail of 95% confidence level of the test resulted as 4.6 and 4.9 respectively by using the relation as shown in the Testing hypothesis sub section of Research design.

### 5.2.2 Hypothesis Test of Proportion

The Hypothesis two-tailed test of proportion of poor household was conducted taking testing proportion as 18%. The test showed significance of 0.407 which is much larger than 0.05 and hence the null hypothesis could not be rejected. It means the null hypothesis (18 % assumed household as poor) comes to be true and falls within 95% confidence interval of being true in the normal distribution. Also, the critical values (left and right) tails came to be 0.14 and 0.24 respectively.

**Table 9: Hypothesis Test for Proportion of Poor Household**

		<b>Poverty</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Notpoor	195	81.3	81.3	81.3
	Poor	45	18.8	18.8	100.0
	Total	240	100.0	100.0	

			<b>Binomial Test</b>			
		Category	N	Observed Prop.	Test Prop.	Exact Sig. (1-tailed)
Poverty	Group 1	Poor	45	.19	.18	.407
	Group 2	Notpoor	195	.81		
	Total		240	1.00		

Source: Calculated on SPSS based on the Survey of Questionnaire Set 1



## CHAPTER 6: CONCLUSION

Academicians, policy makers and leaders continue to be very concerned about the lives of the impoverished. This dissertation began with a variety of perspectives on the dimension of poverty and discovered that poverty is a multi-dimensional idea and that focusing solely on low income as a specific aspect of poverty is no longer reasonable. The study discovered that there are multiple other ways to measure poverty besides income.

This crucial criterion for determining whether the impoverished are present or absent has historically been recognized through external assessments that mostly employ monetary measurements. Although this method has advantages, it frequently disregards the viewpoints of those being judged. Since it is their reality that matters, it is crucial that people get the chance to decide why the poor are poor. This study used a subjective methodology that involved looking at poverty from the perspective of the poor people.

The literature review found that very few Nepalese studies on perception of the causes of poverty. As a result, the author had to design own research framework and methodologies. The author thinks that this research approach is unique and essential for advancing the study of views of the causes of poverty. For the goal of analysis, both qualitative and quantitative research methods were applied.

A cross-sectional survey using single sampling procedure was conducted among the poor and non-poor of Itahari Sub-Metropolitan city aged between 18 and 60 years. The sample size set was 240 (Urban=90; rural=150). For the calculation of MPI, survey questionnaires were based on Ten parameters with their respective weightage and Alkire-Foster et al (2015) counting methodology was utilized. Similarly, fifteen dimensions were set as the possible cause of poverty. The program code was written in Visual Studio code and converted into JavaScript using library package React. Hypothesis test was conducted using software IBM SPSS based on Pearson-Fischer method.

Results suggested that MPI of Itahari sub-metropolitan city to be 0.09 which is higher than the national MPI level of 0.07. Also, the Poverty Head Count Ratio of Itahari is 21 percent, slightly higher than national level of 17.6 percent, whereas the Poverty Intensity of the city is almost similar with the national level at 43 percent. It also showed that poor people of Itahari suffer deprivation mainly due to education and health followed by living standards.

Regarding the possible cause of poverty, both poor and non-poor people registered almost same perception- that women who were incapable to work outdoor led the household to reduced income and savings and subsequently to poverty. Among others, poor people recorded that poor education and fatalism were another major cause of poverty. As of non-poor, 40-65 percent of the surveyed blamed the political institutions, indifferent policies and lack of political linkages for their perception of possible cause of poverty.

Overall, the research is a small initiation towards understanding the causes of poverty beyond income, consumption, expenditure or other objective approaches. The thesis is a success in describing and analyzing the people's understanding of the dimensions and causes of poverty. Qualitative and participatory approaches to research in poverty, as demonstrated in the thesis, are important in determining the extent and nature of impact of poverty on the poor since these are different from quantitative income statistics provided by the government authority.

The study suggests that in order to cure poverty in real terms, the real cause of poverty should be diagnosed. Because poverty varies from place to place and from person to person, income and associated policies generally adopted by the Central Government to comprehend poverty and address it fails to effectively eradicate the poverty and create all-inclusive socio-economic society.

It is vital to understand whether poverty is a personal failing or a structural crisis originated from systemic failure or just some fatal cause. If it is an individual failure, the government needs to launch some incentive initiatives to improve the way it uses its people resources to combat poverty. If there is a structural problem, the government needs to identify the flaws in its plans and policies and thoroughly research the causes of those flaws. If people believe that poverty is a fatal cause, then programs for changing behaviors or attitudes should be implemented to show how the most effective use of human capital can lower poverty.

Some of the key recommendations of this research work can be listed as:

- Local government should focus more on inclusive participatory policy making process keeping Gender Equality and Social Inclusion at its core.
- Education sector needs further promotion, thus education improving, student motivating programs should be briskly launched. Skill and career development of the teachers and education practitioners at local level should be encouraged with effective periodic trainings.
- The local government should build stronger bonds and cooperation with the provincial and the federal government in key sensitive areas like education, health and natural resource mobilization.
- The local government along with the federal government should focus on formulating policies that would encourage the business and entrepreneurship to flourish and hence create the employment opportunities.
- As social evils like caste-based discrimination is still prevalent, all three level government should promote the programs for increasing the awareness and strictly punishing the perpetrators.
- Instead of launching populist programs like incentives for single mothers and unemployed, trainings and skills should be imparted to them for the sustainable income generating activities.
- The government needs to launch awareness programs for imparting banking and financial knowledge to the general people at local level.
- Instead of current budget spending, all level government should prioritize the increased spending of development expenditure and keep areas like health, education, infrastructures, social inclusion, natural resource mobilization at its core and overall, the budget absorbing capacity of the grass root level should be increased.

## CHAPTER 7: FURTHER RESEARCH

This research can be further improved by increasing the sample size to at least 400 (the current utilized only 240). 400 is the reliable sample size as per Taro Yamane method:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n signifies the sample size

N signifies the population under study (198098 is the population of Itahari as per the preliminary report of National population Census, 2021)

e signifies the margin error (0.05 utilized in this research)

This study focused only on the Multidimensional Poverty Index approach and hence the further research can be conducted based on income poverty index, human development index and quality of life index utilizing the standards set by World Health Organization. The variables designed to understand the perception of possible cause of poverty may be further elaborated to contain more socio-economic variables.

Future studies can be made using the capability approach and the different parameters to relate people with his surroundings as suggested by Amartya Sen; such as individual physiology, local environmental diversities, variations in social conditions, differences in relational perspectives, and distribution within family.

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## Questionnaires

### Questionnaire set 1: Indices for Multi-Dimensional Poverty

H.H No.	HH Size	No. of member who hasn't completed five years of schooling	No. of school aged child not attending school up to class 8	Any child or adult who is under-nourished	Any child who died in the household in last five years	The house hold has no electricity	No toilet or shared toilet with other family	No access to drinking water or 30 minutes' walk	The house hold has dirt, sand and dung floor	House cooks with dung, wood and charcoal	House owns TV radio, telephone, TV, bike but not car or truck
1.											
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9.											
10.											
11.											
12.											
13.											
14.											
15.											
16.											

Questionnaire set 2: Perceived Causes of Poverty

	Fatalism	Discrimination	Single mother	House wives	Attitude	Large family	No saving	No extra income	Unemployed	Poor education	Bad policies	No officers in home	Alienation in Public sector	No political power	Poor infrastructures
1.															
2.															
3.															
4.															
5.															
6.															
7.															
8.															
9.															
10.															
11.															
12.															
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14.															
15.															
16.															

