

# CHAPTER- ONE

## INTRODUCTION

### 1.1 Background

"Poverty is criminal because it does not allow people to be people. It is the cruelest denial of all of us, human beings." (UNDP, 1998:18)

The real wealth of a nation is its people and the purpose of development is to create enabling environment for people to enjoy, long healthy and creative lives. (UNDP, 1999)

Poverty exists in both rural and urban areas. It is well known that the problem in developing Asia is predominantly one of rural poverty. Poverty is a burning issue all over the world. It exists not only in the less developed countries but also in developed countries. The difference is the extent or magnitudes. In the less developed countries; the extent or magnitude of poverty is higher than that developed countries because of the higher dependency on limited resources like in Nepal. Basically, the rural poverty is a feature of the poverty of developing countries.

The measurement of poverty is defined as a lack of command over market goods. Indonesia is an interesting case study for examining rural poverty researches set out to measure the extent of poverty by region and sectors of employment with and without adjusting for differences at the cost of basic needs. The nominal poverty line was adjusted for regional differences' in the cost of a bundle of food considered sufficient to meet minimum food- energy (calorie) requirements for good health and normal activities. (WB, 2001)

Poverty does not measure for the particular country but also is known for each of the other countries. The predictor variables were private

consumption per capita from the national account official exchange rate, the proportion of women in the labor force. (ADB, 1996)

The incidence of poverty in large area of the developing world has changed little in the past decades, between 50 to 70 percent of the rural population. Africa, Latin America, Asia continue to line in poverty and this is at a time where a rural economy is expected to be the driving force behind the economic recovery of many developing countries. Around 70 percent of the population in these areas, poverty results from low return to labor; it leads to low income, undernourishment, and decline access to education, health and other social service. This collection of ILO research focuses its attention not only on the question of poverty in general, but also and poverty trends and measurement including police measures in support of mention basic needs in rural development. It highlights the extent of rural poverty in developing countries line in the high degree of unemployment and low return to labor for marginal farmer and landless laborers. (ILO, 1992)

Economists have defined poverty in different ways and expressed their view in different criteria. In a general term, poverty can be defined as "The inability to attain a minimum standard of living or a situation where someone as not a position to meet the basic needs of life." (WB, 1990:26)

In advance countries a failure to come up a desire level of living is called poverty. But in under developed countries, the term poverty reflects the picture of illiterate, hungry, malnourishment, ignorance, fatalism etc.

There are two approaches to define poverty: absolute and relative poverty. Absolute poverty refers to a situation where people receive income below minimum level of survival. Household incomes below the absolute poverty line are called absolute poor. Similarly, the wolf-point is that level of income at which households can manage to meet their

expenditure. In other words income is just equal to the expenditure at the wolf-point level of income if the income of a household is below this line but above the absolute poverty line. It is called relatively poor. Households are called total poor.

Nepal is the country of villages where most of the population is concentrated in rural areas. So there is no significant difference between poverty and rural poverty in Nepalese context.

Inequality in the distribution of land and wealth has played a serious role in raising the poverty. According to WB 1998/99, lower 40percent of total population receive only 19.1 percent of total national income (WB 1998/99, P199). Agriculture remains the main part of Nepalese economy; it contribute 42 percent to the GDP (1995 /96) and is the main source of employment, shortage of alternative sources of income outside agriculture is argued as the economic problem of the entire Nepalese rural society in present. So, disguised and hidden unemployment is in existence. The unemployment problem not worsen the economic condition but also it disturbs the socio-cultural condition irrigation is also problem there should be the position of irrigation facilities on cultivable land to increase production but it is the tragic work as only 40percent agriculture land has irrigation facilities. (CBS, 1996:26)

Various socio-economic indicator shows that the problem of poverty is deeply rooted in Nepal. According to Nepal standard survey 1996, 42 percent of the total population has remained below the absolute poverty line. Among them, about 17.1 percent are counted as ultra poor or the poorest (9th plan p 77). Similarly, HDR 1999 also shows that Nepal ranks 144th among 174 countries. And WB 1999 also shows that the per-capita income for Nepal is very low only 210 Dollars. This shows Nepal as one of the poorest country in the world.

The Ninth Plan has been described the population under the poverty line. According to geographical distribution, geographic region wise, 41.0- and 42.0 percent of the population is below the poverty line Hills and Terrain 56 percentage people live below the poverty line in the Mountain. Similarly, 23.0 percent in the urban and 44.0 percent people in the rural area live below the poverty line revealing high poverty concentration in the rural than in the urban area. (NPC, 1997-2002)

Nepal has completed Ninth Plan (1997-2002). In the Ninth Five Year Plan alleviation of poverty focused on in order to empower people economically and socially by integrating the common people in mainstream of development process. The plan aims to bring down the percentage to 32.50 percent by the end of the plan. For this all development countries will be geared towards poverty alleviation during the ninth plan period. With rate and the implementation of sartorial and other especial program for poverty alleviation, it is targeted to reduce the population below the poverty line in the level of 10.00 percent within the 20 years. (NPC, 1997)

Poverty of Nepal is increasing daily or people of Nepal are increasing poor over a year, from the very beginning of first five years plan. Nepal moved towards major poverty in the seventh five years plan. 42.50 percent of total population was below the poverty line and the time when eight five year plan (1992-1997) was being drafted during fiscal year (1991/92) the condition was drawn that 49.00 percent of total populations are below the poverty line. Poverty has been increased by 7.00 percent during seven years period means 1.00 percent population is falling below the poverty line every year. (1993-1994)

In developing countries about one third of population are living less than US \$ 1 per day (poverty line defined by World Bank) and measure in

1985 international price in purchasing power parity term, WDR 2001 Asia and Africa are several suffering from the poverty in the world among 22.90 million people, about 44 urban populations are poor in Nepal Human Development Report (UNDP, 2000). Among the SAARC countries, economic condition of Nepal is very poor. (UNDP, 2000)

According to NHDR 1998, per capita income of Nepal was ' only US \$ 210 where as Bangladesh, India, Pakistan, Srilanka each has US \$ 240, 340, 450 and 700 respectively. Almost 45 percent out of total population was found to be the poverty line in Nepal 1996 and 47 .00 percent population was found to be below the poverty line in rural Nepal. (UNDP, 1998)

According to World Development Report (WDR) 1999/2000, the gross domestic product (GDP) of Nepal in 1998 was US \$ 4479 million at which the contribution to GDP from agriculture sector was 40 percent, industrial sector was 22.00 percent, manufacturing was 10.00 percent and that of services was found 28.00 percent. In 1990 the external debt of Nepal also found to be US \$ 1640 million and US \$ 2398 million in 1997. The percentage of external debt in 1997 was 25.00 percent of the total GNP.

Poverty may be defined as "Inadequate social functioning, not being gainfully employed, not able to maintain a household, not engaged in satisfying personal and social relationship."(Jackson, 1972, p. 13)

There is the hardship of lives; people are suffering from the malnutrition. The mortality and morbidity rates are high, that means the hygienic condition of people is very poor and people are deprived of safe drinking water. In the point of view of education status, the illiteracy rate of people in the society is high. All these facts mentioned above are the characteristics of poverty in the society and the people bearing these

things are called poor. We have a problem of poverty to extent that low income creates problem for those who are net poor. (Rein, 1971).

## **1.2 Statement of the Problem**

Nepal is a country of villages; about 89 percent of total population lives in rural area and more than 82 percent people are dependent in agriculture (WB, 1998/99). But the productivity in agriculture sector is very low on account of lack of the irrigation, fertilizers and agricultural credit. Another important fact is proper management of debt. In the same way backward technology, small and fragmented holding of land, floods, soil erosion, insufficiently of ADP, living in land are almost to zero. Thus the living standard of farmers are very low and their ways of living and dominated by poverty.

In rural area, there exists seasonal and disguised unemployment due to lack of alternative employment opportunities outside agriculture sector and lack of skill, credit facilities proper management etc. These are the causes as well as results of poverty. The existence of such problems further affects the living condition of the poor.

The population is also increasing at an alarming rate but the productivity of land is declining. Such situation further addresses misery to the economic condition of the poor.

Therefore, the government as well as many government agencies NGO, INGO etc. have contributed and invested a lot of money for poverty alleviation programs. But the benefits have not reached to the target groups. The benefit has reached only to rich class as well as middle class people due to the weak implementation as well as weak identification of poor. As a result the poor people are being increased during 3 and half decades.

Due to the prevalence of such factor in the rural area government and nongovernmental organization have been made various programmes to alleviate the poor economic condition of these rural areas. Yet there has not been any significant change in their condition.

In this context, it has become necessary to get some idea about the present situation of rural poverty in Nepal. So a study in the field of poverty is felt necessary to understand the extent and nature of rural poverty in the country. Although this study is a case study of one rural community in Western Terai region of Nepal, this can be broadly taken as reflecting the general picture of poverty problems in rural Terai areas.

There are enormous causes and problems of poverty thriving in the under developing countries, among them Nepal is one of the country where lots of causes already present and new are emerging day by day. Nepal is a rural country, there are 3913 VDCs specially refer rural localities of Nepal where 85.8 percent population are living (CBS 2001). Most of the Nepali peoples are depending on agriculture; about 85.4 percent of total populations live in rural area, more than 77 percent people are depended on agriculture (CBS 2008). But the agriculture production is not sufficient for the fulfillment of their basic need or the poor whose occupation is agriculture has no arable land. Traditional ways of farming, low level of production & productivity, unemployment, hidden unemployment, absence of education, lack of good health facilities, unskilled manpower, hidden socio-culture norms and values, financial trapping by the counted people in the society are some of the causes of poverty in the rural areas of Nepal and other least developed countries (LDCs).

Rural areas of Nepal specially depend on primary production activities and peoples of rural area are innocent, poor, less educated compared to the urban areas of Nepal. Most of the rural poor are not getting good health facility, banking facility and other modern facilities that are being used by urban people.

Due to less personal skill development, rural people do not get better opportunities in different income generative activities. They work for a whole year but stay in hunger for months. The root cause of the poverty in rural areas of Nepal are; traditional agriculture based economy, lake of education, unemployment, unskilled manpower, high rate of population growth, absence of sound health and many more. Thus the rural people's living standard is very low and even they are still suffering from hunger.

### **1.3 Objectives of the Study**

The general objective of the study is to express the rural poverty situation in Nepal and the specific objectives of the study are:

- To find out the main causes of poverty in the study area.
- To measure the extent of poverty line in the study area.
- To identify relation among poverty, employment, ethnicity, skill, family size, land holding and income distribution.
- To introduce policy recommendation for reducing poverty in the study area.



#### **1.4 Significance of the Study**

In rural areas, there is rapid growth of population along with the slow growth in agricultural production & productivity cannot solve the problems of scarcity of food. One of the basic challenges for the entire rural areas of Nepal is the rampant spread of poverty. In the present world, poverty is deeply rooted in the developing countries like Nepal. Furthermore, we can say poverty is mostly concentrated in the rural areas of Nepal.

There is few research works have been done on this field in different selected area. But none of the study has been done on this field at Semlar VDC of Rupandehi district, due to the time span, previous studies might not be representative for the present situation. The present study makes an effort to depict the socio-economic condition of the Semlar VDC of Rupandehi district.

It tries to analyze the extent, causes and its impact on socio-economic development. In this connection, this study seems to be significant because it attempts to present the recent information about the cause, extent, nature and impact of socio economic development of rural poverty with creative recommendation to reduce it. This study may help in the formulation of right policies and will also be useful to future researchers, students and planning authority who involve in the development of Semlar VDC.

Due to the extremely slanted distribution of resources, the poor have very little benefited from the economic progress. According to W.B. 1988/99 Lower 40 percent of total population receives only 19.1 percent of total national income and top 20 percent of total population receives 44.8 percent of total national income (WB 1998/99). In rural Nepal, there

exists seasonal and disguised unemployment 47 percent of the total labor force are semi-unemployed and 4.9 percent are fully unemployed (NPC, 1997).

In this context, it has become vital for all the policy makers, government and people who involved in the poverty problem of Nepal and it is necessary that the problems of poverty should be reduced; for this many researches studies, planners and efforts are required to show the actual picture of the extent and nature, causes of rural poverty by identifying the various causing factors behind it. In this connection, it is expected that the present study will be attempt to analyze the causes of poverty and its impact on socio-economic development in Nepal, by taking an example of Semlar VDC, Rupandehi district.

### **1.5 Limitations of the Study**

None of the social research is equally applicable in different part of the study. Thus some of the limitations occur in the study few limitations have been listed below.

- The study covers the causes of poverty in study area only. So the generalization of this result may or may not be equally applicable to other parts of nation.
- The respondent of the study area based on the study upon the interview data responses.
- The price of foods and non food consumption is calculated in terms of local price.
- The sample size of households used for study is 45 household selected from the universe in study area and it is assumed that the study provides the representative picture of poverty problem.

- Simple statistical tool are used to analyze the obtained data.
- Generalized recommendations may or may not be equally applicable to others parts of the country.

## **1.6 Organization of the Study**

This dissertation is organized in seven chapters. Chapter one is Introduction, Chapter Two is followed by Review of Literature, Chapter Three describes the Methodology used in the study area. Introduction of the study area is given in Chapter Four. Chapter Five focuses on the Poverty situation in the study area. This is followed by the analysis of the Nature of Rural Poverty in Chapter Six. Finally, Summary, Conclusions, and Recommendations are presented in Chapter Seven.

## **CHAPTER – TWO**

### **REVIEW OF LITERATURE**

For this research work, the literature review is done under two categories, the conceptual review and review of empirical study. For this different book, journals previous research works, reports, acts, policy, articles, plans and other published and unpublished documents related to the subjects are reviewed.

Poverty is a burning issue in the world and growing phenomenon as well as the serious problem everywhere. It is deeply rooted particularly in less developed countries. It has attracted the attention of many researches, writers and economists. Many of the works on poverty in Nepal have been done in African as well as South Asian countries. But poverty in Nepal has been well recognized since the first five years plan 1956/60 (2013-2018 B.S.), the first research on poverty in Nepal is minimal compared to that of India and Bangladesh. However the economists have always realized a concern from time to time. According to the view of T. Haytez the causes of poverty problem have been considered as the classical economists with different over population by Malthus, a subsistence level of wage by Ricardo and capitalism by Karl Marks. In this field must of the research works have been carried out in the context of Latin America, Brazil and Asia, for the purpose of studying views a reviews of all the available literature in this field has been attempted in this study.

Poverty exists not only in the less developed countries but also in the developed countries. Basically the rural poverty is the feature of the poverty of developing countries where as the failure to come up with the desired situation is that of developed countries.

Poverty is a very important field of study in economics. Rising in the problem of poverty is as old as the human being. During the early stage of the slave age, capitalism, the great mass of the working population lived in generalized poverty.

Hamilton, (1968) book discusses the meaning of poverty. He also examines income and income distribution and level of standard living for purpose he has used Lorenz's curve with secondary data sources. He highlights poverty daily consumption of their basic necessities. In above mentioned criteria gave a poverty estimated of 40.30 percent at the every time. (NPC, 1978)

Lamichhane (2001) in his research explained the nature of poverty on Tharu community. He has been taken primary data from Tarigaun VDC of Dang. He used some statistical tools such as regression, Gini-coefficient, F-test, Z-test, T-test, ANOVA and Run test etc. the main problem of the poor people is to spend on a large share of income on food and non-food consumption (76.93%). In the study area of establishment of poverty line, he estimates absolute poverty line, and relative poverty line. He found that 71.67 percent of household or 69.24 percent people are absolute poor and 10.0 percent household or 7.69 percent people are relative poor (Lamichhane, 2001).

A field survey had done by "Agricultural projects Services Centre (APROSC)" to assess the poverty situation in 225 VDC, of 15 districts of country. The study used both PRA and census approach in data collection. The findings of analysis are presented at two levels in that report. First it deals with the aggregate analysis of poverty situation in this district. Second, it presents the aggregate analysis based on the sample of 15 VDCs, for each of the 15 districts of the country. On the basis of poverty line define under this study. The incidence of poverty

population is 38.5 percent. This incidence of poverty disaggregated at the ecological belts should that it is highest in the Hill (74%) followed by Mountain (71.2%) and Terai (68.7%) among the ecological zones. Likewise, any the development regions the high incidence of poverty population is found in the East (76.3%) followed by Far-west 75.00 percent, Mid-Western 74.40 percent, Central 68.30 percent and Western 62.20 percent development region. At the sub-regional level, the Mid-western Hill, recorded the population incidence of poverty (86.50%) followed by Mountain 80.70 percent and Hills 79.80 percent of Far western. The population incidence of poverty in the mountain 61.10 percent, Hill 64.40 percent and Terai 61.20 percent of western region is found is found to be relatively low then in other region (APROSC, 1998).

“Role of Grameen Bikas Bank in alleviation of Rural Poverty”, A dissertation has done by Regmi, according to him, GBB have provided loans to rural poor to raise their income level. The rural poor invest the loans on agriculture sector well as other non-agriculture sector. There has been satisfactorily increases in employment and development in the entrepreneurship of all the rural poverty ridden people because every borrower has started new business, non-crop business and involved in new business. There has been changed among the total members had the income amount less than Rs.500.00 per month. Whereas after borrowing only 9.5 percent has remained in that class and others income level is increased without borrowing, there was only 3 percent had income amount of Rs 1000.00 or more and then borrowing it increased as 67.78 percent. This statement proves the facts that there has been significant increase in the income level with the borrowed loans. It has been alleviated to some poverty extent. (Regmi, 1995)

Nepal Rastra Bank had done a survey under the title "Poverty Alleviation Project in Western Terai". It is focused districts in Terai. In the first phase, NRB worked through Grameen Bikas Kendra to fulfill the objectives. This program is running in 52 VDC, and if more VDC will be included Western Terai. The main objectives of this project are to provide the incremental lending loan for the implementation of credit programme to deprived target to create a conducive atmosphere for providing community development and skill oriented training. To improve the selected branches of GBR (Grameen Bikas Replications), to reduce the number of hard core people of 8 districts. The main goals of these projects are to provide institutions credit to around 28,833 poor people from 16 branches of GBRs during the project period. It also provide training programme for the improvement of their skill.

They organized a target group by including poor and core poor, which include 5 members. These people who have less than 1.5 Bigha of land in Terai and 20 Ropani in the hill side are called poor. For poverty alleviation, it uses several methods such as provision of providing loan , utilization of credit, revolving fund, loan repayment, monitoring and evaluation, auditing, centers training fund etc. (NRB, 1999-2000).

Gurugharana (1995) has discussed various causes of poverty and strategies of poverty alleviation in SAARC region. According to the writer, political and socio-cultural factors are expanded as well as rooted in Nepal. Lack of good government, concentration of foreign aid in urban areas, low human developments are the main socio-political factors which are helping for chronic and pervasive poverty in Nepal.

In 1997, Dahal and Shrestha have done a research work on Rural poverty in Nepal; A case study of Pachthar District, in which they have used primary data and economic tools like Keynesian Consumption function to

define wolf-point and the Sen's poverty Index of ordinal, Welfare to measure the extent of poverty on the basic of household size, land holding size and ethnic group. They analyzed the nature of poverty problem. The study estimated that 63.00 percent of households and 64 percent population are below absolute poverty line. The study identify that the poverty of study area is NRs 131 per capita per month, the estimated break-even or Wolf-point of the study area was NRs 216 per capita per month at 198/85 prices, in terms of wolf-point, the 89.00 percent of sample households are below this income level. (Dahal and Shrestha, 1997)

In 1987, Dahal has done a research work on rural poverty in Nepal; in which he has highlighted the extent and dimension of poverty problem on the basic of food production and consumption, employment, income, land ownership and tenure, literacy, health and demographic measures. The study shows that the causes of productivity, small per capita land holding size, lack of employment and alternative employment, poor marketing facilities, illiteracy and socioeconomic structure. The study of descriptive nature and secondary data are used to analyze the poverty problem. (Dahal, 1987)

CBS (1996) has focused poverty situation on the title, "Nepal living standard survey Report 1996." This study was based on the primary data, out of 338 sample household, 2657 households are taken from the rural area and 716 households are taken from the urban area, were selected from 73 district. The survey has used 2124 calories per capita per day requirements. The absolute poverty line was calculated to be Rs 4404 per person per year in real prices. Consumption price index (CPI), Laspeyres food/housing price index was used. Gini-coefficient was also used to measure the inequality.



The survey indicates that rural poverty is higher than urban poverty as Kathmandu Valley and western mountain hillside's poverty is greater than the rest of the country. In urban areas the rate is 23 percent while it is 44 percent in rural areas. There is a big difference in the degree of inequality between urban and rural areas with the Gini-coefficient for urban areas is as high as 0.43 compared to 0.31 in rural areas (CBS, 1996).

According to the World Bank Report 1991 in Nepal; poverty and incomes there is 74.00 percent of rural population below the poverty line. According to the report in Nepal, there is 71.00 percent of total population living in poverty (W.B. Report, 1991).

In 1994, Shrestha in his dissertation on Rural Poverty 'in Nepal; A case study of Marku VDC, Makwanpur District, attempts to measure the extent of poverty and inequality in income distribution using the primary data. He uses the various economic tools like Gini-coefficient, variance, and mean deviation, Lorenz Curve etc. For analysis, he found that 60.00 percent households or 59.70 percent populations are below absolute poverty and 16.25 percent households or 14.93 percent populations are relative poor. He shows the illiteracy as the main causes of poverty. (Shrestha, 1994)

In 2000, Babita Shrestha has done a research work on extent of rural poverty in Latakada VDC Doti. She has found 75.56 percent of households or 77.6 percent populations are total poor in the study area. In which 56.67 percent households or 59.33 percent populations are below absolute poverty line and 18.89 percent households or 10.34 percent populations are in relative poor. She has used various economic tools like, variance, range, mean deviation, Lorenz curve Gini-coefficient, coefficient of variance, simple regression analysis for analytical purpose. (Shrestha, 2000)

“Anti-poverty strategies of Nepal” has been reviewed by Surendra Adhikari. He has widely used the Sen's concept while defining the poverty. He says that impoverishment is directly linked to the accelerated erosion of the assets base of the poorest within characterized by inequality. He has used NPC data and made conclusion that a very high degree of inequality in income is found (Adhikari, 1987).

In 2000, Baral estimated his study area Rs. 16.97 per day has been drawn as the absolute poverty level. The sample size of the study is 90 households with 536 populations. Based on this, it is found that 38.88 percent households or 39.18 percent populations are absolute poor. Similarly, Rs.27.23 per capita per day has been estimated as the total poverty line, thus, it is estimated that 72.22 percent of households or 72.01 percent populations are total poor. And 33.33 percent of households or 32.83 percent of population are relative poor. He has used various statistical tools like Keynesian Consumption Function or wolf-point, Lorenz curve, Gini-coefficient, mean deviation, variance, coefficient of variance, range, correlation coefficient etc. , are used for analytical purpose. (Baral, 2000)

In 1986, Paudel, in his book “Drive against Poverty” has defined the absolute and relative poverty. He has also discussed in detail the measure curtailing poverty problem for the purpose. He has used tabular method by using secondary data published by NPC and ADB to analyze the situation of poverty. He critically examined the land reform Act 1964, integrated rural development, community development program, co-operative program, and small farmer development progress and land settlement programme in the context of poverty in Nepal. He recommended that labour initiation programme are to be given priority welfare programme must be complied with which is able to sustained

prosperity, education, nutrition and increase in productivity. The study was only NPC and ADB to analyze the situation of poverty. The study was only descriptive and there was no use of any statistical tools. (Paudel, 1986)

It is absolutely clear that a very large portion of the population in most regions of the world does not enjoy any social protection or, is covered any very partially. This is the case for the vast majority of people in developing countries, and even in some of the richest industrialized countries, there are large gaps in social protection. (ILO, 2000)

In 1959, P.K. Mukharjee, in his research found that poverty is a worldwide phenomena and found everywhere in the world with a differential magnitude. In Japan, a large number of workers have much lower income than their average national income. Poverty exists in the United State too. Indeed many people would be surprised to learn that millions of American remains inadequately fed, clothed and housed. (Mukharjee, 1959)

“Poverty to Prosperity in Nepal” written by Jain, focuses on the various problems in Nepal and recommends some long-term policies to reduce it. His study is based on the sample survey done by National Planning Commission. He categorizes the poor people into two groups: 'Poorest of the poor' and 'the poor above the poverty line. In the former case, he takes the people who have income less than Rs.2 per day 1977 prices and he calculated that 36.20 percent of the total population falls in this group. In the later case, there falls the people whose per capita daily income ranges from Rs. 2.0 to Rs. 2.68 and he estimated that 18.8 percent of the total population lies in this group. Thus 55 percent of total populations are poor in Nepal. According to him, 97 percent of the total poor live in rural area of Nepal (Jain, 1981).

From 1969, ADB plays the great role to develop the economic condition of Nepal. It approved a loan of US \$ 11 million to Nepal for the crops diversification projects, which will help subsistence farmers increase their income by diversifying from production of food grains to cash crops. The project will provide agriculture extension services, promote private extension services, support client oriented research activities, and provide project management support. The ADB loan, with interest of 1.00 percent during the grace period and 1.50 percent thereafter, is repayable over 30 years, including a grace period of 8 years. The entire US \$ 173 million in loan will come from ADB's concessional leading window, which provides loans repayable over 32 years with interest of up to 1.5 percent per annum. The project to be supported are designed to reduce poverty, improve economic growth, support human development and address key governance issues in the public and private sector. (ADB, 2001)

Poverty in absolute and relative term is defined by Action Aid Nepal (1997). The objective of this study was to provide a universal understanding for reduction of poverty and to develop an appropriate factor to reduce poverty effectively and substantially. Similarly, it has suggested future strategies on poverty and development and it has developed coherent antipoverty program and policy position including advocacy. For this 11 districts were selected from geographical and political as well as urban and rural sectors as sample to collect primary data through PPAs (People Participation Activities). Nature of poverty is divided into three interrelated categories like; material, intellectual and entrepreneurial poverty. This study does not use any statistical tools to analyze the data. This study shows that the growth to continue, at more than per annum, finding of the study was that more than 70.00 percent of rural households owning less than one hector of land receive only 23.00

percent of national income; Agriculture supports more than 90.00 percent of the country's population while farming methods were still substance oriented, primitive and traditional in nature. This book gives some future strategies on poverty and development. (Action Aid Nepal, 1997)

Poverty problem is however a burning problem everywhere in the third world countries but this problem is very serious particularly in less developed countries. Regarding the problem of poverty, economists have always felt a concern from time to time. According to view of T. Hayter in his book "The creation of World Poverty" the causes of poverty problem have been considered by the classical economists with different views such as: absence of wealth by Adam Smith, over production by Malthus and Say, a subsistence level of wage by Ricardo and capitalism by Karl Marx. (T. Hayter 1982).

## **CHAPTER – THREE**

### **RESEARCH METHODOLOGY**

Methodology confines a description of how information will be collected and analyzed. The methodology of a study is related to the theoretical approach and the nature of problem and the content in which data are to be collected; methodology is plan structure and procedure to achieve the objective.

#### **3.1 Research Design**

The present study is mainly based on the micro study of poverty in which the research is designed in an explorative, descriptive and analytical framework, used to analyze the poverty problem in the study area.

#### **3.2 Source of Data**

The study is based on primary as well as secondary data. Primary data is mainly collected through the structured questionnaire. In addition to the primary source relevant information from secondary source i.e. data published by National Planning Commission, World Bank, Nepal Rastra Bank, Central Bureau of Statistics and various other research organizations were used.

#### **3.3 Techniques of Data Collection**

Primary data is collected through a household survey using pre-tested structured questionnaire. The questionnaire is presented in the annex of this thesis. Out of 1459 households of this VDC, 45 HHs were selected by random sampling. Ex-members of the VDC and chief as well as Ex-vice chief were interviewed separately in order to collect necessary information to meet the required objectives.

Besides this secondary sources such as published/unpublished reports, books, documents, articles and working papers contributed by the different scholars and the publication by NPC, WB, DDC,VDC, NGO, INGO report and other related institution and researches. These are used purpose of analysis and comparison.

### **3.4 Data Processing and Analysis**

As far as possible and practicable a complete questionnaires were checked right after the interview and corrections were made wherever needed. Local unit of measurement were used just as the respondents reported them. Data sets are analyzed both quantitatively as well as qualitatively. Different statistical and mathematical tools such as: mean, percentage, Gini-coefficient, Lorenze curve have been used to meet the objectives. In addition to this, a descriptive statistics such as pie charts, diagrams, and tabulation method are further processed for comparison and their interpretation

### **3.5 Method and Tools Used for Data Analysis**

Various statistical tools are used to measure the extent of poverty. Some statistical tools are also used to shows the relationship between poverty and other factors, such as income, inequality, unemployment level of education etc.

#### **3.5.1 Method of Estimating Poverty Lines**

As stated in the objectives, three types of poverty lines; i.e., absolute poverty, relative poverty and total poverty are drawn as follows.

##### **A) Estimation of absolute and relative poverty line**

The minimum subsistence level is followed to estimate absolute poverty line. The household whose per-capita income is below the minimum

subsistence level is known as absolute poor. Minimum subsistence norm explained by FAO (1986) is used to estimate the absolute poverty line. According to FAO estimation, the per capita per day calorie requirements for survival for Nepal is 2124 calories, which requires net consumption of 605 Gms of Cereals and 60 Gms of pulses. They are multiplied by their respective local market prices; with this total value we add the consumption expenditure made on other basic essentials of life to derive the minimum subsistence level of income.

According to National Planning Commission (NPC, 1978) expenditure on minimum food requirements i.e. 605 Gms of Cereals and 60 Gms of pulse secure only 65 percent subsistence consumption expenditure. Remaining 35 percent of expenditure is added for other basic necessities of life.

Relative poverty is the difference between the total poverty and absolute poverty line.

## **B) Estimation of total poverty line**

In the present study, there was use of two types of tools while estimating the total poverty line. Keynesian consumption function and wolf-point techniques are used which are discussed below.

### **i. Keynesian Consumption Function**

In Keynesian Consumption Function, we assume that consumption is a function of income. Thus, it is expressed as:

$$C_i = \alpha + \beta Y_i$$

Where,  $\alpha$  = Autonomous consumption

$\beta$  = Marginal propensity to consume

$C_i$  = Consumption expenditure

$Y_i$  = Income level



## ii. Computation of Wolf-point

It is also known as break - even point which implies equality between income and consumption expenditure ( i.e.  $C_i = Y_i$ )

Mathematically,

$$C_i = \alpha + \beta Y_i$$

In the case of equality between  $C_i$  and  $Y_i$  the following expression can be obtained.

$$\text{Wolf-piont} = \frac{\alpha}{(1 - \beta)}$$

Thus, Wolf-point gives the total poverty line.

### 3.5.2 Derivation of Relative Poverty level

The different between absolute poverty level and wolf-point gives the relative poverty level. The household, whose income level is higher then absolute poverty line or minimum subsistence level of income but below the wolf-point, is relative poor. In simple, the difference between percentages of total poor minus percent of absolute poor gives the percentages of relative poor.

### 3.6 Estimation of Magnitude of Intensity of Poverty Situation

In order to identify the intensity of the existing situation of poverty in the study area Sen's poverty index has been used. It is calculated in two ways i.e. considering inequality and without considering inequality among the poor. The theoretical relation is that as the value of index approaches to zero. It implies that there is low intensity.

### 3.6.1 Sen's Poverty Index with Considering Inequality

$$P^* = \frac{X}{C_p} [C_p - \bar{C}_p(1 - G_p)]$$

### 3.6.2 Without considering income inequality

$$P^* = \frac{X}{C_p} [C_p - \bar{C}_p]$$

Where,

$P^*$  = Poverty Index

X = Percentage of population below poverty line

$C_p$  = Poverty line per capita per day

$\bar{C}_p$  = Per capita mean Income of the poor

$G_p$  = Gini-coefficient of the absolute poor

The theoretical notion is that if the value of poverty index ( $p^*$ ) approaches near to zero, it indicates lower intensity of poverty and if it approaches near to one, it indicates higher intensity.

### 3.7 Calculation of the Extent of Income Inequality and Distribution of Income among the Sample Households

To calculate the extent of income inequality, various statistical tools are used as Range, Gini-coefficient, Lorenz curve, their definition are as follows.

### 3.7.1 Range

It is the simplest method of studying inequality, it is defined as the difference between the highest and lowest items of the given series and ratio of it's mean. Here it issue to measure extent of inequality in the distribution of income.

However, it does not tell about the distribution of each and every item. It can be computed by using following formula.

$$E = \frac{\text{Max Y} - \text{Min Y}}{\bar{Y}}$$

Where,  $0 < E < n$

Where,

N = number of household

E = Range

Max Y = Maximum income

Min Y = Minimum income

$\bar{Y}$  = Mean income

If the value of E becomes zero, it implies that there is inequality in the distribution of income and vice-versa.

### 3.7.2 Gini-Coefficient

It measures the inequality in income distribution. It shows the difference between actual distribution and equal distribution of income. The area of concentration, between equal distribution curve and Lorenz Curve shows income inequality. The higher the area of concentration the higher is the

inequality. The higher the area of concentration the higher is the inequality and vice-versa.

It can be calculated by using following formula.

i) For ungrouped Data:

$$G_c = 1 + \frac{1}{n} + \frac{2}{n^2} \bar{Y} [ny_1 + (n-1) Y_2 + \dots + Y_n]$$

Where,

$$G_c = \text{Gini-coefficient } (0 \leq G \leq 1)$$

N = Number of income receiving units

$\bar{Y}$  = Mean income

y = % of income receiving each income receiving units.

ii) For Grouped Data:

$$\text{G.C.} = \frac{1}{100} [ X_i Y_{i+1} - X_{i+1} Y_i ] \%$$

Where,

$X_i$  = Cumulative percentage of population

$Y_i$  = Cumulative percentage of income

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

### **3.7.3 Lorenz Curve**

It is the graphical method of studying dispersion in a distribution. It shows the differences between equal distribution and actual distribution of income in the study area. As the area between actual and equal

distribution lines increases, the inequality in the distribution of income also increases of vice-versa.

### 3.7.4 Mean Deviation

There is also use of mean deviation in the study is calculated by the use of following formula.

$$MD = \frac{\sum (Y_i - \bar{Y})}{N\bar{Y}}$$

Where,

MD = Relative mean deviation

$\bar{Y}$  = Mean income

$Y_i$  = Income of an individual

N = No. of observation

### 3.7.5 Coefficient of Variation

The coefficient of variation is the ratio of standard deviation to mean level of income. It is expressed as:

$$C.V. = \frac{\sigma}{\bar{Y}}$$

Where,

C.V. = Coefficient of Variation

$\sigma$  = Standard deviation of Y series

$\bar{Y}$  = Mean income

### **3.8 Study of Poverty in Various Ways**

The poverty condition in the related area is analyzed classifying the poor household into a number of groups on the basis of family size landholding, occupation, literacy and so on.

### **3.9 Definition and Concept of Variables**

#### **3.9.1 Households**

A household is considered as one economic unit mainly private and not institutional. It may consist of single, two or more members living earn income and consume together.

#### **3.9.2 Total Households Income**

The income which is earned by the family members from different sources is considered here as total income of the household. In this study, it is sum of total Net/gross income from agriculture production, income from livestock, income from labour, business cottage industry, services wages, salaries, transfer payments, etc. self-consumption goods produced the HHs are included into income.

#### **3.9.3 Total Household Consumption**

It includes the expenditures on food and non-foods items made by the family members of household within a given time frame to fulfill their requirements.

#### **3.9.4 Size of Land Holding**

The total cultivated land whether it is rented or own farm land.

### **3.9.5 Literate, Educate and Illiterate**

A person with an ability to read and write Nepali language to considered as literate and who have S.L.C., or above are considered as educated and otherwise illiterate.

### **3.9.6 Working Age Group**

All households 14-59 years age are considered as working age group people and below 14 years and above 60 years age are considered as non-working age group or dependent people.

### **3.9.7 Household Head**

In this study, the persons who manage all the rule and regulation in family are considered as the household head. He always plays a dominant role in family. Most of economic activities in family depend upon the decision of the household head.

### **3.9.8 Family**

It is composed of individuals related by blood or through marriage and person living together during together during reference year. Those family members who are away from home for short as well as long periods are included in family.

### **3.9.9 Unemployment, Semi-employment and full employed**

For the purpose of this study, unemployed, semi-employed and full employed population among the working age group have been included such as these people who work 9 month or more than 9 months in and

more than 3 months as semi employed and work even less than three months in a year as unemployed population.

### **3.9.10 Absolute poverty level and Absolute poor**

Absolute poverty level is defined as the income level required to purchase the bundle of goods and services to maintain a minimum standard of living which is necessary for absolute poverty level income or whose income is insufficient to buy basic needs.

### **3.9.11 Relative Poverty and Relative poor**

Relative poverty level is derived from the Keynesian concept of 'Break even point or wolf point.' The wolf point is regarded as the poverty line. The relative poverty level implies the level of income; which is above the absolute level but below the wolf-point. The households or individual whose income level is higher than 'absolute poverty level income' and lower than 'wolf-point' is relative poor.

### **3.9.12 Total poverty level and Total poor**

The 'Break even point' level of income is the total poverty level. The households or individual falling below the 'wolf-point' or 'Break-even point' are called total poor. In other words, the sum of absolute poverty level added relative poverty level is considered as total poverty level and those who are in that level they are called total poor.

### **3.9.13 Non-poor**

The households or individuals whose income level comes above the 'Break-even points' are non-poor.'



### **3.9.14 Skilled Non skilled population**

One who has got vocational training for Income Generative Activities is skilled population. The person who has not got vocational training for Income Generative Activities is non skilled population.

## **CHAPTER – FOUR**

### **INTRODUCTION OF THE STUDY AREA**

#### **4.1 Description of the Study Area**

Rupandehi district is one of the districts among six districts of Lumbini zone lies in the western development region of the country. It is a terrain district, its adjoining districts and borders are as, Palpa is in the North, Kapilbastu district in the west, Nawalparasi in the east and Uttar Pradesh of India in the south. Its location is 83°.12.16 to 83°.38.7 east longitude and 27°.20.00 to 27°.47.25 north latitude with 100m – 1219m height from the sea level. The temperature of the district is 8.75°C to 43°C with 1391 mm average rainfall.

As it is terrain district, the tropical environment is found here. The total population of the districts is 708419 having male 360773 and female 347646 with 117856 household and average family member is 6.01. The population density is 521 per square kilometer with 3.05 population increasing rate. The total area of the district is 1360 square km.

#### **4.2 Discription of Semlar VDC**

Semlar VDC is one of the VDC of the Rupandehi district among 69 VDCs . It is nearly 10 km far from Butwal in the west. Its area is 15.286 km<sup>2</sup>. It is in the biggest 27<sup>th</sup> in sense of population. According to Rupandehi Bikash patra, 2065.

It is populated by ethnic group like Brahmin, Kshetri, Tharu, Magar, Kami, Damai, Sarki etc. It is surrounded by Butwal Municipality in the North, Khadawa Bangai in the south, parrhowa in the west and Motipur in the East.

Agriculture is the main occupation of this VDC. In order to provide social facilities there are VDC level agencies, post office etc. for the financial activities, there are six cooperatives; for the educational facilities, there are eight schools and a higher secondary school.

In summer season there is maximum 43°C to 24°C. In winter season maximum temperature is 19°C to 5°C (DDC, 2000)

**Table 4.1**

**Distribution of Household population by sex and ward**

Ward No	Total HHs	Population		Total Population
		Male	Female	
1	233	632	671	1303
2	144	389	412	801
3	135	326	375	701
4	228	625	652	1277
5	144	390	421	811
6	99	332	347	679
7	175	449	445	904
8	175	554	567	1141
9	126	325	340	625
<b>Total</b>	<b>1459</b>	<b>4022</b>	<b>4240</b>	<b>8262</b>

Sources: Rupandehi Bikash Patra 2065

Agriculture stands as a main occupation of the most of the people, a few people are engaged in other sectors like services, business, and labour and so on. Major agriculture products of this VDC are paddy, wheat, pulse, oil-seed, vegetable etc. but now a day's people are getting attracted towards poultry, off seasonal vegetable and banana farming. The traditional method of tools and ornaments used in farming has caused low productivity in this sector.

Average household size of this VDC is 5.66 according to 'Rupandehi Bikash Patra 2065'. The mother tongue of the most of the people in this VDC is western local and common Nepali. But some ethnic groups are found speaking their mother tongue like Tharu and other. Brahman, Chhetri, Kami, Tharu and Sunar are the major group residing in the VDC.

**Table 4.2**

**Distribution of Households head by Sex in the Sample Population**

<b>Sex</b>	<b>No. of HHs head</b>	<b>percentage</b>
Male	35	77.78
Female	10	22.22
<b>Total</b>	<b>45</b>	<b>100.00</b>

Source: field survey, 2010.

Above shows that under the female household's respondent i.e. 22.22 percent and household managed by male household respondents. i.e. 77.78 percent. It clears that most of the households are managed by males in the study area.

**Table 4.3****Ethnic composition of sample households**

<b>S. N.</b>	<b>Ethnic group</b>	<b>No of HHs</b>	<b>Total Population</b>	<b>Average family size</b>	<b>Percentage HI-Is</b>
1	Yadav	2	21	10.5	4.44
2	Brahmins	8	47	5.87	17.78
3	Chhetries	12	89	7.41	26.69
4	Tharu	7	61	8.71	15.55
5	Kami	7	61	8.71	15.55
6	Damai	6	51	8.5	13.33
7	Sunar	3	25	8.33	6.66
<b>Total</b>		<b>45</b>	<b>355</b>	<b>7.88</b>	<b>100</b>

Source: field survey, 2010.

From the above table, out of 45 household 2 house are of Yadav, 8 households are of Brahmin, 12 household are of Chhetries, 7 houses are of Tharu, 7 household are of Kami, 6 household are Damai, and 3 household are of Sunar. On the other hand, out of 355 total population, 21 population are of Yadav which covers 4.44% of total sampled households, 47 population are of Brahmin covers 17.78% , 89 population are of Chhetri covers 26.69 % , 61 population are of Tharu covers 15.55% , 61 population are of Kami covers 15.55%, 51 population of Damai covers 13.33% and 25 population are of Sunar covers 6.66% households respectively.

In the table, average family size is higher of Yadav 10.5% and lowest of Brahmins 5.87%

### 4.3 Demographic characteristics

The population distribution by age and sex is presented in the table below.

**Table 4.4.**

#### **The Age and Sex Distribution of Sample Population**

<b>Age group</b>	<b>Male</b>	<b>Female</b>	<b>Total population</b>	<b>Percent</b>	<b>Sex ratio M/F</b>
Below 14 years	73	64	137	38.59	1.14:1
14-59	106	88	194	54.65	1.20:1
60 above	11	13	24	6.76	0.84:1
Total	190	165	355	100	1.15:1
<b>Total</b>	<b>53.52%</b>	<b>46.48%</b>	-	-	-

Source: field survey, 2010

The above table shows that out of 355 populations 53.52 percentage are of male and 46.47 percentage are of female. The sex ratio (males 115 per female) is 100. The proportion of economically active population in the population estimated to be 54.65 percent.

### 4.4 Occupation Structure of the Total Households

Agriculture is the main occupation of population in the study area and Non – agriculture occupation like service, business, foreign employment etc are also in minorities that is shown in table 4.5.

**Table 4.5**

**Distribution of Sample Household and Population  
According to Major Occupation**

S.N.	Main Occupation	Total HHs		Total population	
		No	%	No	%
1	Agriculture	30	66.66	142	73.20
2	Non-agriculture	15	33.34	52	26.80
<b>Total</b>		<b>45</b>	<b>100</b>	<b>194</b>	<b>100</b>

Source: Field survey,2010

It is clear that from the above table, agriculture is the main occupation of 30 households which is 66.66 percent of total sample households and 73.20 percent population are engaged in Agriculture whereas, 33.34 percent households and 26.80 percent of people are engaged in non agricultural sector mainly services, business, wages, foreign labor, labor, tailoring, carpenter and other.

**4.5 Educational Status**

There is one higher secondary school, three secondary private boarding schools, three lower secondary schools and two primary schools are there in Semlar VDC. Some students go to Butwal Municipality for the school level and higher level studies because of advanced and modern educational institutions are available in the city Butwal.

**Table 4.6**

**Education Status of Sample Household Population**

<b>S.N</b>	<b>Educational Status</b>	<b>Male</b>	<b>%</b>	<b>Female</b>	<b>%</b>	<b>Total Population</b>	<b>Total %</b>
1	Illiterate	15	8.98	22	15.71	37	12.05
2	Literate	118	70.66	90	64.29	208	67.75
3	Educated	34	20.36	28	20	62	20.20
<b>Total</b>		<b>167</b>	<b>100</b>	<b>165</b>	<b>100</b>	<b>307</b>	<b>100.00</b>

Source: Field Survey, 2010

From the above table, it is clear that the majority of populations are literate. Although the percentage of educated population is very low i.e. 20.20 percent and 67.75 percent population are literate where as 12.05 percent populations are illiterate. Female's illiteracy percent rate is greater than males. But male's literate and educated rate is greater than female.

#### **4.6 Employment Status**

Income and employment has direct or positive relationship and inverse relationship between poverty and employment. If population of a country is fully employed the extent of poverty is low due to their earning on the other hand, if the people are unemployed their income is low and there appears high degree of poverty. Table 4.7 shows the distribution of population by working age group and the poor.



**Table 4.7**

**Distribution of Population by Working Age Groups and  
Employment**

S.N	Employment	Working age	Member
		No	%
1	Fully employed	18	9.27
2	Semi-employed	104	53.60
3	Unemployed*	72	37.11
<b>Total</b>		<b>194</b>	<b>100.00</b>

Source: Field Survey, 2010

\*below 3 months working group is considered as unemployed

From the above table, it is clear that the poor people are poor because most of them are semi-employed or unemployed. Some proportions of the working age poor population are fully in unproductive fields. On the other hands, causes of their poverty are the insufficient wage rate for their employment.

#### **4.7 Land Holding**

In the study area, most of the people's occupation is agriculture. The cultivated land can be classified into own land and contract land and also. The following table represents the distribution of land among the sampled.

**Table 4.8**

**Distribution of Sample Households and Population According to Size of Own Land Holding by Farm Group**

S.N	Size of Landholding in katha	No of HHs	%	Total Own Land	Average Land hold by HHs	% of Own Land	Population	
							No	%
1	Landless	3	6.66	-	-	-	25	7.04
2	Marginal (up to 10k)	8	17.77	57	7.12	6.92	63	17.74
3	Small (11-20k)	13	28.91	171	13.15	20.77	102	28.75
4	Medium (21-30k)	12	26.66	280	23.33	34.02	94	26.47
5	Above 31 k	9	20	315	35	38.28	71	20
<b>Total</b>		<b>45</b>	<b>100</b>	<b>823</b>	<b>18.28</b>	<b>100</b>	<b>355</b>	<b>100</b>

Source: Field Survey, 2010

The above table shows that distribution of land holding among different farm group i.e. landless, marginal, small, medium and large. It is clear that there is exist of highly unequal distribution of land asset among the 45 sampled households. Lower 54.34 percent of households occupy only 26.89 percent of land, where as 20 percent households occupies nearly 39.09 percent of land. Marginal group own 7.12 percent, small group own 20.77 percent, medium group own 34.02 percent of total land. Thus we

can say that is the basic assets which creates initially the inequality of income.

The study area's population has also occupied by contract land. The land which is in the ownership is shown in the above data but the land that is taken/ given on contract is shown in the other Table. The total area of the land which is taken/ given on contract is both irrigated and non-irrigated (782 Katha) land.

**Table 4.9**

**Distribution of Sampled Households According to Size of On-contract Landholding Farm Size**

S.N	Size of Landholding	No. of HHs	%	Total contract Land	Average land hold by HHs	% of contract Land	Population	
							No.	%
1	Marginal (up to 10k)	10	40	90	9	22.22	101	45.10
2	Small (11-20k)	8	32	120	15	29.62	63	28.12
3	Medium (21-30k)	57	20	125	25	30.88	39	17.41
4	Above 31 k	2	8	70	35	17.28	21	9.37
<b>Total</b>		<b>25</b>	<b>100</b>	<b>405</b>	<b>16.3</b>	<b>100</b>	<b>224</b>	<b>100</b>

Source : Field survey, 2010.

From the table, it is clear that distribution of on-contract landholding among different farm group i.e. landless, marginal, small, medium and large. Among 45 sampled households, 405 katha of total on contract land

small farm group is higher than other but less than the big farmer (above 31 k).

The following table shows the size of landholding by family size.

**Table 4.10**  
**Size of Land Holding by Family Size**

S.N	Family size	Average family No	No of HHs	%	Area of land in (Katha)			% of Total	Average size of land		
					Own	Rented	Total		Own	On contract	Total
1	1 – 5	3.50	20	44.44	290	151	441	35.93	14.5	7.55	22.05
2	6 – 7	6.35	10	22.24	176	85	261	21.25	17.6	8.5	26.10
3	8 – 9	8.27	6	13.33	148	72	220	17.91	24.66	12	36.66
4	10 – 11	10.5	5	11.11	123	61	184	14.98	24.6	12.2	36.80
5	12 above	14.43	4	8.88	86	36	122	9.93	21.5	9	39.70
<b>Total</b>			<b>45</b>	<b>100</b>	<b>823</b>	<b>405</b>	<b>1228</b>	<b>100</b>	<b>18.28</b>	<b>49.25</b>	<b>27.28</b>

Source: Field Survey, 2010.

Table No. 4.10 shows that, average size of land holding is 441 Katha of the total sample households most of the households above 1-5 members, which is 44.44 percent. The households which have 1-3 members, only are those which have just separated from their parents after marriage and those who have neither their husband/wives nor they have wives/husband

are alone. The family size 10-11 members have own (123 Katha) and on contract (61 Katha) land is less than other family size. Average size of land-holding of small family size (1-5 members) is 22.05 Katha which is smaller than other.

Similarly average family members 1-5 have their 35.93 percent of total land which is the highest one.

#### **4.8 Sources of Income**

Agriculture is the main source of income in rural areas. Income from agriculture product and livestock are mainly income of agriculture. In rural area non-agricultural sector such as labor, service, business, also contribute in total income. Thus, in the sector, the present study concentrate on the different sources of income as shown in Table 4.11

**Table 4.11**  
**Sources of Income of Total Households (Yearly)**

<b>S.N.</b>	<b>Sources</b>	<b>Total Income NRs.</b>	<b>%</b>
1.	Agriculture	19,79,000	23.71
2.	Livestock	5,84,000	6.99
3.	Labor (Wage)	4,17,000	4.99
4.	Services/Business	16,10,000	19.29
5.	Remittance	37,54,000	45.02
<b>Total</b>		<b>83,44,000</b>	<b>100</b>

Source: Field Survey, 2010

##### **4.8.1 Income from Agriculture**

Table 4.11 shows that agriculture is one of the main occupations of the study area. 66.66% population depend on the agriculture whose income from agriculture production like paddy, wheat, maize, pulse, oil-seed, sugarcane, etc is 23.71 percentage.

#### **4.8.2 Income from Livestock**

Livestock is the other source of income in this VDC. The total income of livestock is only 6.99%. Livestock are mainly kept for manure, milk, meat, egg, ghee, plough etc. this study area raise different livestock like cow, ox, goat, pig, chicken, buffalo, etc. Pigs are also found only in Tharu community. “The livestock that is sold to get money is included in income but if it is for the selling but of the consumption of the family that is included in the wealth.”

#### **4.8.3 Income from Labor (wage)**

The most important local source of income for both men and women in poor households is wage labor. Tharu community widely practices the system of parma (exchange of labor). In the above presented Table 4.11, the labor based income of the study is 4.99% in total income. But main source of income from labor is also based on agriculture. People from the area also go to work as labor in near Butwal Bazaar.

#### **4.8.4 Income from Services/Business**

Many people are literate but some are however holding jobs. Educated people have job in private and government office but some educated people have no job. Some literate and illiterate are going to work in India. Services based income is only 19.29%.

#### 4.8.5 Remittance (Foreign Job)

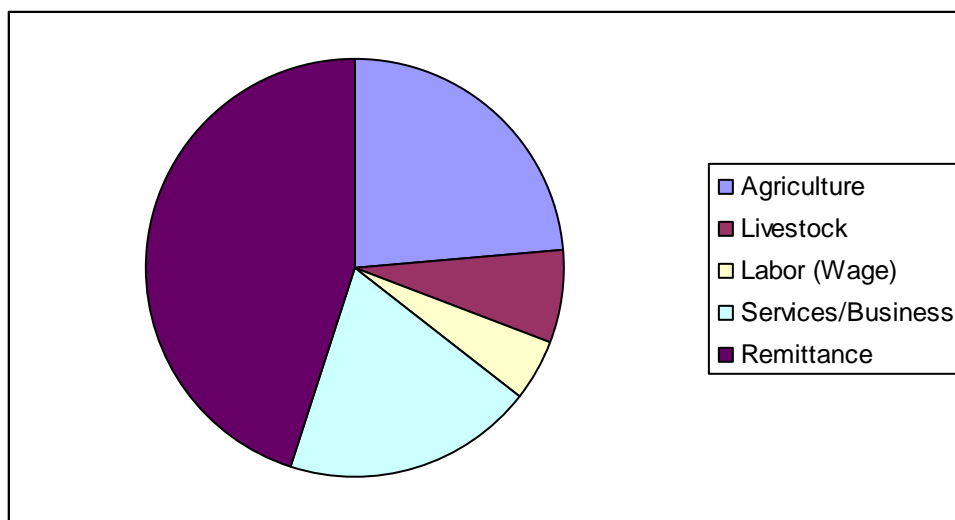
In Nepal, more than Twenty *Arab* money comes as a remittance from third countries. The people from studied area go to India, Malaysia, Kuwait, Arab as well as European and American country for foreign job purpose. Remittance is the most important source of income for the study area among 45 HHs more than 32 households get remittance. Remittance has covered 45.02% of the income of the study area.

#### 4.8.6 Distribution of Income on Pie-Chart by Different Sources

The distribution of income is presented on the pie chart. The pie chart represents 100% (360) of income of which 23.71% of income received from agriculture, 6.99% from livestock, 4.99% from labor wage, 19.29% service/business and 45.02% from remittance.

**Figure 4.1**

**Sources of Income of Total Households on Pie-Chart**



#### 4.9 Consumption Pattern

Consumption is the most important variable of economic system. When income increases consumption also increases, indicating positive

relationship between income and consumption. Consumption is divided into two parts in following table.

**Table 4.12**  
**Annual Consumption of the Households**

<b>S.N.</b>	<b>Items</b>	<b>Annual Consumption</b>	<b>% of Consumption</b>
1	On-food	32,42,000	48
2	Non-food	35,11,000	52
<b>Total</b>		<b>67,53,000</b>	<b>100</b>

Source: Field Survey, 2010

Above table shows 52% of the total expenditure of the households is spent on non-food items (Shelter, Education, health care, drinking, cultural festivals, and card playing). 48% of the total expenditure is spent on food items of the total expenditure.



## **CHAPTER-FIVE**

### **POVERTY SITUATION IN THE STUDY AREA**

#### **5.1 Estimation of the Poverty Line and the Poor**

In the present study, in order to define the extent of poverty in the study area, mainly two types of poverty lines are estimated viz. absolute poverty line and relative poverty line. The absolute poverty line is determined on the basis in minimum income required to purchase the subsistence calorie requirement per day per person i.e. known as Keynesian consumption notion of break-even point. An individual whose income is above poverty line and below the break –even point is known as relative poor, In other words, break-even point is the level of income where it just equals the consumption expenditure. Thus, break-even points are considered as total poor. Therefore, the total poor are the sum of absolute poor and the relative poor.

##### **5.1.1. Absolute Poverty line and Absolute Poor**

The absolute poverty line is determined on the basis of minimum income required to purchase the subsistence calorie requirement per day per person for the survival and social extended which is known as subsistence norm.

National planning commission has estimated different absolute poverty lines for different regions. The minimum daily calories requirement for hill region has been found to be 2340 calorie, for the mountain region it has been found to be 2140 and for the terrain, it has been found to be 2250(NPC,2002)

In this status the standard prescribed by FAO (1972) has been followed to determine the minimum subsistence norm. According to this standard, the

per capita daily calorie requirement for survival has been estimated as 2256 calorie for Nepal that requires a bet consumption of 60 grams of pulses provides 214 calories.

The calculated value of 605 gms of cereals and 60gms of pulse comes to be Rs.12.25 and Rs.5 respectively in the study area. The aggregated value of minimum subsistence requirement is Rs.17.25 per capita per day(See Annex-1)

According to NPC, the expenditure on minimum subsistence requirement covers only 65 percent of total expenditure per capita per day. In additional to minimum subsistence requirement, consumption of other food and non-food items essentially required for the existence. So 35 percent of total subsistence consumption expenditure is found to be Rs.9.29. Thus, the total subsistence consumption expenditure for the study area is estimated as Rs.26.54 per capita per day (See annex-1) . Therefore,RS.26.54 per capita per day is absolute poverty line for the study area, on the basis ,there are 15.55 percent (7) household and 18.02 percent (64) people whose per capita daily income is less than absolute poverty line.

In order to know the situation of rural poverty, different studies have been conducted in different time periods and they have determined different absolute poverty line. The different results in different studies are shown in Table 5.2

**Table 5.1**

**Absolute Poverty Line In Different Studies**

<b>s.n</b>	<b>Study Area</b>	<b>Average daily value of 2256 calories(i.e.605gms of cereals &amp;60gms of Pulses)NRs</b>	<b>Lowest average actual daily consumption expenditure on other food and non-food items(NRs)</b>	<b>Absolute poverty line(NRs)</b>
1	Rural Nepal <sup>1</sup>	1.32	0.70	20.2
2	Nepal Hill/Mountain <sup>2</sup>	3.86	2.08	5.94
3	Purnaijhanga Josi,Jhosi Sindhuli <sup>3</sup>	6.38	3.43	9.81
4	Sakhuawa,Rautahat <sup>4</sup>	8.42	4.53	12.95
5	Piple,Chitwam <sup>5</sup>	10.96	5.90	16.86
6	Semlar,Rupandehi <sup>6</sup>	17.25	9.29	26.54

Sources:

1. NPC, A study on employment Income Distribution and Consumption Pattern on Nepal. Summary Report vol. IV,sep.1978 ,page158
2. NRB, Multipurpose HHs Budget survey ,1989.”A Study on Income Distribution, Employment and Consumption Pattern in Nepal”.
3. J.P.Aryal “Poverty in Rural Nepal”,1994
4. Uma Shankar, “Poverty in Rural Nepal”,1999
5. P.Pathak,”Poverty in piple VDC”,2001
6. Feild Survey,2010

From the Table 8, it has been observed that the absolute poverty line estimated by the present study is highest compared to previous studies due to time lag between present and previous studies, geographical features, inflation etc.

The analysis of the absolute poor among the sample households and sampled population of the different studies is presented in table 9.

**Table 5.2**

**Absolute poor in different studies**

S.N.	Study Areas	Total Sampled HHS	Absolute poor HHs		Total Sampled Population	Absolute poor Population	
			No	%		No	%
1	Rural Areas <sup>1</sup>	213669	860769	40.3	12445368	4505835	36.2
2	Purna Jhanga, Jholi <sup>2</sup>	70	29	41.42	402	173	43.03
3	Sakhuwa <sup>3</sup>	60	29	48.33	460	214	46.52
4	Piple <sup>4</sup>	80	35	43.75	440	196	49.54
5	Semlar <sup>5</sup>	45	7	15.55	355	64	18.02

Source:

1. NPC, A study on employment Income Distribution and Consumption Pattern on Nepal. Summary Report vol. IV, sep.1978 ,page158
2. J.P.Aryal "Poverty in Rural Nepal",1994
3. Uma Shankar, "Poverty in Rural Nepal",1999
4. P.Pathak,"Poverty in piple VDC",2001
5. Feild Survey,2010

**5.1.2 Relative Poverty Line and the Relative Poor**

Relative poverty line is estimated with the help of wolf point. The wolf point level of income is that a level of income which is just equal to expenditure .Relative poverty level refers to what level income which lies between wolf point and absolute poverty line. Therefore the households or population, whose income level comes below this point and above the absolute poverty line, are called relative poor. Such households are just able to meet the minimum subsistence expenditure of total expenditure.

In the Present Study calculated value of wolf point is R.s 53.72 per capita per day (See annex IV)

For the Study area, Those Households or population are relatively poor whose income levels lies between wolf point and absolute poverty levels, out of 45 total sample households and 355 population, 17 households and 130 people are relative poor. Thus it is that 37.77 percent households and 36.61 percent people are relative poor.

The comparison of the relative poor among the sampled households and sampled population of the different studies is presented in Table 10

**Table 5.3**

**Relative Poor in Different Studies**

S.N	Study Areas	Relative Poor HHs		Relative poor Population	
		No	%	No	%
1	Purna Jhanga,Jholi <sup>1</sup>	13	18.57	68	16.91
2	Sakhuwa,Rauthat <sup>2</sup>	9	15.00	73	15.87
3	Piple,Chitwan <sup>3</sup>	14	17.5	73	16.59
4	Narayanpur Dang <sup>4</sup>	65	30.95	436	33.53
5	Semlar,Rupendai <sup>5</sup>	17	37.77	130	36.61

Source:

1 J.P .Aryal,1994

2 Uma Shankar,1999

3 P.Pathak,2001

4. D. Dhoj G.G.2004

5 Field Survey, 2010

**5.1.3. Total Poverty line and the Total Poor**

The income level, which lies below the wolf-point, indicates total poverty line. Total Poverty is the sum of absolute poverty and relative

poverty. Total poverty line is also called as upper poverty line. The wolf-point for the present study is Rs.53.72 per-capita per day which is the total poverty line (see Annex IV) on the basis, out of 45 sampled households, 24 households or out of total 355 sampled Population 194 people have the level of income less than the total poverty line. So, 53.55 percent of households or 54.64 percent of population are found to be poor in the study area. These data are presented in table 11

**Table 5.4**

**Absolute, Relative Total and Non-Poor on the Study Area**

S.N	Types of Poor	Households		Population	
		No	%	No	%
1	Absolute Poor	7	15.55	64	18
2	Relative poor	17	37.77	130	36.61
3	Non poor	21	46.68	161	45.39
<b>Total</b>		<b>45</b>	<b>100.00</b>	<b>355</b>	<b>100.00</b>

Source Field Survey, 2010

Comparison of the results with other studies are presented in table 12

**Table 5.5**

**Comparison of the Results with Other**

S.N	Study Area	Total Poverty Line per Capita Per Day Rs	Total Poor HHs		Total Poor Population	
			No	%	No	%
1	Purna Jhanga Jholi Sinduli <sup>1</sup>	15.18	42	60.00	241	59.95
2	Sakhuwa,Rauthat <sup>2</sup>	17.87	38	63.33	287	62.39
3	Piple,Chitwan <sup>3</sup>	20.25	49	61.26	269	61.13
4	Narayanpur Dang <sup>4</sup>	44.95	109	51.90	698	53.69
4	Semlar,Rupendehi <sup>5</sup>	53.92	24	53.33	194	54.64

Source: As Mentioned in Table 5.5

## **5.2 Measurement of Poverty and its Extent**

For measuring the incidence of poverty in the area, Sen's poverty index is calculated. Sen's poverty index is based on ordinal welfare concept which is derived in two ways, with considering income inequality (without Gini-coefficient). But before, compute Sen's index, we have to calculate Gini-Coefficient. In this case Gini-coefficient represents the extent of inequality which is taken as one of the major determinant of poverty.

## **5.3 Measurement of Income Inequality in the Study Area**

In order to study the income distribution and inequality, the sample households of the study area were divided into ten income groups. Each group consists 10% of total sample households. Income has been arranged in ascending order. Thus, the first decile covers 10% of the households low income group and last decile covers 10% of high income households group. Thus, the per capita income is taken to draw Lorenz curve as well as to estimate the value of Gini concentration ratio. Thus, following table represents a picture of income distribution per capita per day into decile group.

**Table 5.6****Income Distribution of the Population per Capita by Decile Group**

<b>S. N.</b>	<b>% of HHs</b>	<b>Cumulative % of HHs(Xi)</b>	<b>Cumulative in Decline</b>	<b>% of population</b>	<b>Cumulative % of total Population</b>	<b>Per capita total daily income</b>	<b>% of income</b>	<b>Cumulative % of income (Yi)</b>
1.	10	10	46	12.95	12.95	67.37	1.69	1.69
2.	10	20	34	9.57	22.52	108.23	2.73	4.42
3.	10	30	44	12.39	34.91	134.15	3.84	8.26
4.	10	40	32	9.04	43.95	167.13	4.23	12.49
5.	10	50	28	7.88	51.83	209.75	5.29	17.78
6.	10	60	36	10.15	61.98	254.4	6.41	24.19
7.	10	70	38	10.71	72.69	306.14	7.72	31.91
8.	10	80	35	9.85	82.54	429.53	10.83	42.74
9.	10	90	34	9.58	92.12	731.05	18.01	60.75
10.	10	100	28	7.88	100	1556.25	39.25	100
			355	100		3964	100	

Source: Field Survey, 2010

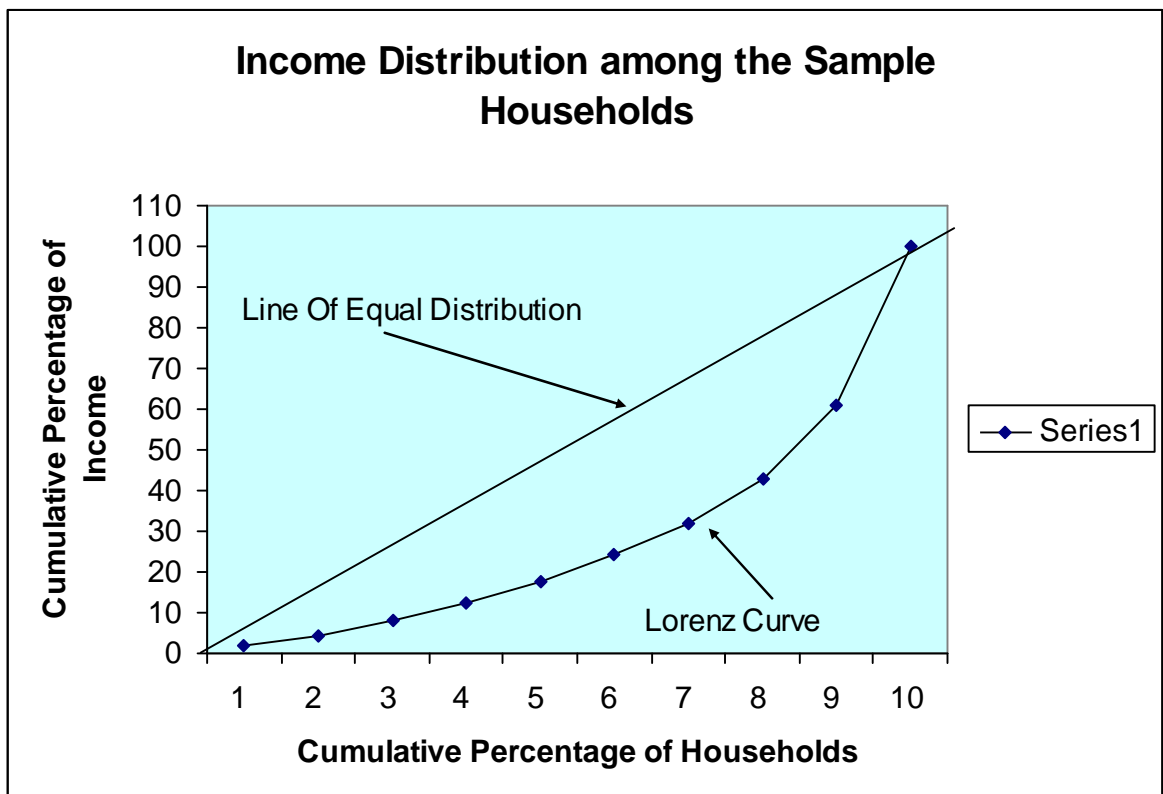
Table 5.2 shows that the income is not distributed equally among the different groups. Bottom 10% of households receives 1.69 of the total per capita daily income whereas the top 10% households receive 39.25. Here, 90% households only receive 60.75 percent of the total per capita daily income and only 10% households receive 39.25 percent of the TPI. The inequality in income distribution can be represented graphically in the form of Lorenz curve. In the Lorenz curve, actual distribution of income and equal distribution of income line are plotted. The Lorenz



curve shows the difference between actual distribution line and equal distribution line of income line is called the “Area of concentration.” The basic notion is that the greater the area of concentration the larger magnitude of income inequality a vice versa.

So, the table 5.2 can be shown in Lorenz curves as below figure 5.1. the horizontal axis measure, the cumulative percentage of household while the vertical axis measure the cumulative percent of income. The 45° line represents the perfect equality line. From the Graph 5.1, it is clear that there is the existence of income inequality in the study area. To measure, the existence of income inequality, we have to know the area of concentration. Thus, to find the value of the area of the concentration or extent inequality, we compare Gini-coefficient ratio is 0.5109 (see annex- V)

**Figure 5.1**  
**Income Distribution among the Sample Households**



Note: C.P.HHs 1=10

### 5.3.1 Income Distribution among Absolute Poor

In the present study, it is found that there is not only difference in the income of the poor and non-poor, but among the absolute poor also. There is a significant difference of income among absolute poor. This is represented by simple statistical tool “Range” which is calculated to be 0.648(See annex-IX) for absolute poor.

It is not so less than that of the range value among the sample households, which is 7.638 (see annex-VIII). To represent the inequality among absolute poor, the table has been made which is as follows in the table, given below. The absolute poor population and households are divided into five income groups. And it is clear from the table that there is significant difference in the distribution of income even among absolute poor.

**Table 5.7**

**Income Distribution among Absolute Poor**

S.N.	Per capita per day income	No. of HHs	No. of population	% share of total population	% share of total income
1.	12.17	1	9	14.06	9.98
2.	12.64	1	13	20.34	10.37
3.	15.61	1	10	15.62	12.8
4.	17.53	1	10	15.62	14.38
5.	18.83	1	8	12.5	15.45
6.	21.91	1	7	10.93	17.98
7.	23.48	1	7	10.93	19.04
	122.17	7	64	100	100

Source: Field Survey, 2010

In this analysis, Gini-coefficient ratio is used to measure the extent of inequality among the absolute poor.

#### 5.4 Sen's Poverty Index

Sen's poverty index has been calculated which is based on ordinal welfare concept. It can be determined in two ways which are as follows:

- a) **Considering income inequality** i.e. Gini coefficient of the absolute poor.

For this we have the formula as follows:

$$P^* = \frac{X}{C_p} [C_p - \bar{C}_p(1 - G_p)]$$

Where,

$P^*$  = Poverty Index

$X$  = Percentage of population below poverty line

$C_p$  = Poverty line

$\bar{C}_p$  = Mean Income of the poor

$G_p$  = Gini-coefficient of the absolute poor

In this equation  $C_p$  can also be taken as the mean consumption expenditure of the poor, if we take the  $G_p$  as the Gini-coefficient consumption expenditure of the absolute poor.

As Gini-coefficient of the absolute poor is 0.13 (See annex-VI), it can be taken as serious problem to some extent. The nation is that, as the value of G.C. approach to zero, it means less inequality of income distribution of income.

In order to show the intensity of the poverty problem, the poverty index considering income inequality is recorded as 0.2181(See annex-VII a),

**b) Without considering income inequality**

To compute it, we can use the formula,

$$P^* = \frac{X}{c_p} [Cp - \bar{Cp}]$$

From this formula, the value of poverty index is calculated as 0.1745 (See annex-VII b) these two types of Sen's poverty indices are presented in the following table.

**Table 5.8**

**Index of Poverty**

<b>S.N.</b>		<b>Considering G.C. among absolute poor</b>	<b>Without considering G.C. among A.P.</b>
1	<b>P*</b>	0.2181	0.1745

Source: Field Survey, 2010

Sen's poverty index without considering inequality is less than with considering inequality (i.e.  $0.1745 < 0.2181$ ) from both cases. It is clear that extent of poverty is high. It is estimated that the inequality is one of the important cause of poverty.

The value of  $p^*$  of Semlar is G.C. with considering value is 0.2181 and G.C. without considering value of 0.1745.

### **5.5 Statistical Measurement of Standard of Living**

As we take the sampled household according to per capita, daily income we can rank them into groups. One group consists of poor and the other non-poor, out of 45 households, 24 (7+17) households are poor and the remaining 21 are non-poor.

In other words, out of 355 people, 194 (54.64%) people lie between poverty line.

The following table represents the above results clearly

**Table 5.9**

**Differences in Mean Income among Total Households and absolute  
Poor Households**

<b>S.N.</b>	<b>Categories</b>	<b>Mean income</b>	<b>% of HHs below the mean income</b>	<b>% of HHs earning at or above the mean income</b>
1	poor	31.88	54.16	45.84
2	Non Poor	152.33	66.66	33.34

Source: Field Survey, 2010

In this table while calculating, we have assumed that none of poor includes all household except absolute poor households so that the average per capita daily income of non-poor household is Rs. 152.33. So, out of 21 non-poor households, 14 households (66.66%) earn the below the average.

## **CHAPTER- SIX**

### **NATURE OF RURAL POVERTY**

#### **6.1 Introduction**

“The nature of poverty problem is determined by the socioeconomic structure of the village where the majority of population lives in objective poverty and are dominated, intimidated, and exploited by well-to-do farmers, merchants and money leaders.” (Dahal and Shrestha, 1987:6)

The problem of rural poverty in Nepal is multidimensional phenomenon such as family size, minimum land holding per capita, low productivity of land, lack of employment opportunities rather than agriculture poor educational attainment and overall structures that favors the rich over the poor. The nature of poverty problem is determined by the socioeconomic structure at the village level.

Poverty is multidimensional nature and it is multi sectoral concern. People have been caught in the vicious circle of poverty due to the prevalent socio cultural institution (Poudel, 1986).

There are several views to study the nature of poverty but the conclusion is the same; poverty arises due to the small land holding, large family size, and illiteracy, low level of education, unemployment, socioeconomic composition and modern technology. There is interrelation between poverty and socioeconomic structure. To find out the nature of poverty problem; it is one of the objectives of this study because any poverty alleviation program should first identify the nature of poverty. Poverty is one of the main obstacles of economic development. So, it said that poverty in itself is a social curse and a source of all sort of socio-evils.

Poverty also stands as its main hindrance on the way to progress and prosperity of study area.

Talking about poverty, it is essential to scrutinize different poverty related socioeconomic parameters for this purpose only the poor households have been taken into consideration.

## 6.2 Education Status and the Poor

The nature of poverty is also influenced by the literacy status. There is found to be positive relationship between literacy status and income level of the households. The main cause is that “Educational and Skill” got together lack of education usually means limited skill. Limited skill means limited employment opportunities.

Most of the people are illiterate due to their low income and most of the people are poor due to illiteracy. There is an interrelationship between illiteracy of poverty. Thus, if people are educated, their income level is generally higher than that of just literate and illiterate.

It has been already mentioned that 15.21 percent population is illiterate (see table 4.6) in this study area. In reality, education is the backbone of development that leads the way to the employment and income. In this chapter, the education level of household head and their income only has been analyzed which has been presented in the below table 6.

**Table 6.1**

### **Family size and the mean per capital income of the absolute poor**

<b>S. N.</b>	<b>Level of education</b>	<b>Poor HHs</b>	<b>%of poor HHs</b>	<b>Population</b>	<b>Average family size</b>	<b>Total capital daily income(NRs)</b>	<b>Mean per capital daily income(NRs)</b>
1	Illiterate	5	71.42	50	10	76.48	15.29
2	Literate	2	28.58	14	7	45.39	22.69
	<b>Total</b>	<b>7</b>	<b>100.00</b>	<b>64</b>	<b>9.14</b>	<b>122.17</b>	<b>17.45</b>

Source: Field survey, 2010

From the observation of the table 6.1, it is showed that, the poverty problem is higher among the illiterate poor that that of literate. Out of the sampled households, 5 household (71.42%) of absolute poor household heads are illiterate and their mean per capita daily incomes is Rs 15.29 where as the 2 household heads i.e. (28.58%) are literate and their mean capita daily income is Rs 22.69. thus, per capita daily income of the illiterate household head is slightly lower, they are unemployed, so illiterate household are spending low standard of living day to day in the study area.

### **6.3 Employment Status and the Poor**

Employment is only job or any occupation is the main source of income. Also it is the basic determinant of income and the poverty level. So, if population of a country is fully employed, the existence of poverty is low due to their earning.

On of the hand, if the people are unemployed, their income is low and there appears high degree of poverty. There is direct relation between poverty and employment; it is assumed that those members who are in the age group of 14 to 59 years, as the working age group and remaining are considered as the non-working age group. Following table shows the employment status of working poor in the study area.



**Table 6.2**

**Distribution of the Poor Population by Working Age Group**

S.N.	Group of population	Male	Female	Both	Male	Female	Both
1	Working age group	20	18	38	52.64	47.36	59.37
2	Non working age group	12	14	26	48.40	51.60	40.63
<b>Total</b>		<b>32</b>	<b>32</b>	<b>64</b>			<b>100.00</b>

Sources: Field survey, 2010

Table 6.2 is clear that out of total sampled poor 59.37 percent are found to be working age group and among the total working age group population i.e 38, Among them 20 male and 18 are female. In other words 52.64 percent of male out of 32 male are working age group where as only 47.36 percent female out of 32. Female are in this group. In this study area, the percentage of male in working and working age group is high.

The nature of poverty is also influenced by the age group. If there is a large proportion of non working age group or dependent family members generally, population when income level is high, incidence of poverty is high. On this assumption, we examine the age composition of the poor population.

#### **6.4 Size of Landholding and the Poor**

The nature is poverty is highly affected by the size of landholding because more than 82.45 percent of economically active population is estimated to be involved in agriculture. So land is the most important economic assets and major sources of employment and income.

The size of land holding and the poor are correlated. There is always positive relationship between size of the land holding and the income, level and negative relationship between size of the land holding and the poverty. The following table shows the size of land holding and income of the poor.

**Table 6.3**  
**Distribution of the Poor by Land Holding Size and the Mean Per Capita Income**

S. N.	Per capita land (in kattha)	HHs		population		Total daily per capita income (NRs)	Daily per capita mean income (NRs)
		No.	%	No.	%		
1	0-5	5	71.42	50	78.13	76.48	15.29
2	5-10	2	28.58	14	21.87	45.39	22.69
<b>Total</b>		<b>7</b>	<b>100.00</b>	<b>64</b>	<b>100</b>	<b>122.17</b>	<b>17.45</b>

Source: Field Survey, 2010

Above table denotes the clear picture of positive correlation between land holding size and the income level. Income level is found to be significantly higher in case of larger size of land holding than that of smaller size of land holding. Thus, the poverty problem is highly correlated with those poor household who have smaller size of land holding.

### **6.5 Family Size and the Poor**

The income level or the living standard is directly affected by the size. Family size is one of the determining factors of income level and it is also a cause of poverty. In the study area people are poor, because they have

too many children and greater family size in comparison to the non- poor families. as a results, if all the family members are skilled employed there is positive relationship but if family members are unemployed and unskilled there is negative relationship as well as there is high dependency ratio between family size an unemployment. It is proved that the income level or living standard is directly affected.

**Table 6.4**  
**Family Size and the Mean Per Capita Income of the Poor**

S. N.	Family size	HHs		population		Total daily per capita income	Daily per capita mean income (NRs)
		No.	%	No.	%		
1	7-8	3	42.86	22	34.37	40.12	13.37
2	9-10	2	28.57	19	29.68	36.36	18.18
3	11 and above	2	28.57	23	35.95	45.69	22.69
<b>Total</b>		<b>7</b>	<b>100</b>	<b>64</b>	<b>100</b>	<b>122.17</b>	<b>17.45</b>

Source: Field Survey, 2010

The above Table 6.4 represent that the income level is lower in 7 to 8 family members household group. But in the case of 11 + over family member households group the income level is higher than others.

Above table also shows that as the family size increases the daily member per capita income seems to increases i.e. there is positive relationship between family size and the income level.

### **6.6 Ethnic Group and the Poor**

Ethnic groups play a vital role in determining the standard of living in rural area of Nepal. It may be very important to see the relationship

between ethnic group and poverty in the study area. The situation of untouchable caste and their occupation are regarded as socially inferior as compared to other groups.

In the study area, there are various ethnic groups as Brahmins, Chhetries, Tharus and occupational caste (i.e. Kami, Damai, Sarki, Sunar etc.) The relation between ethnic group and the poverty problem, the different ethnic groups are divided into basic categories. These are shown in following Table:

**Table 6.5**  
**Distributions of Poor Households and Per Capita Mean Income**  
**by Ethnic Group**

S.N.	Ethnic Group	HHs		Population		Total daily per capita income (NRs)	Daily capita mean income (NRs)
		No.	%	No.	%		
1	Brahmins	1	14.28	8	12.25	18.83	18.83
2	Tharus	1	14.28	9	14.06	12.17	12.17
3	Chhetries	1	14.28	7	10.93	23.48	23.48
4	Occupational	4	41.84	40	62.76	67.38	16.95
<b>Total</b>		<b>7</b>	<b>100</b>	<b>64</b>	<b>100</b>	<b>122.17</b>	<b>17.45</b>

Source : Field Survey, 2010

Table 6.5 indicates that lower castes and occupational castes are most deprived section of the society in the study area. Among all groups occupational caste are very poor in economic condition. It is clear that out of 7 absolute poor households, 4 are occupational caste and others are 3, the mean per capita daily incomes of these groups are Rs. 16.95 and 18.83 respectively.

Considering the daily per capita mean income, Tharus have relatively lower per capita daily mean income than other three castes.

Illiteracy, lack of opportunities, many cultural defects, landlessness or marginal size of land holding, less productive land, traditional farming system, low wage rate, literate/educate unemployment are the major responsible factors for their lower level.

### 6.7 Main Occupation and the Poor

Poverty problem is also influenced by occupational structure. So to examine the nature of poverty, the relationship between occupation and poor should be studied. The largest percentage of population in the study area is basically engaged in agriculture and it is their main occupation.

Due to low productivity of land marginal and small land holding size and lack of other agriculture services, the poor work hard for low income. Similarly, the population engaged in business, services have higher income than those population engaged in agriculture, labour etc.

Distribution of the poor by the occupation and their income level is shown in Table 6.6.

**Table 6.6**  
**Distribution of the Poor Household and Population by Occupation**  
**and**  
**Daily Per Capita Mean Income**

S. N	Main occupation	HHs		Population		Total daily per capita income (NRs)	Daily per capita mean income (NRs)
		No.	%	No.	%		
1	Agriculture	7	100	64	100	122.17	17.45
	<b>Total</b>	<b>7</b>	<b>100</b>	<b>64</b>	<b>100</b>	<b>122.17</b>	<b>17.45</b>

Source : Field Survey, 2010

In this table, we can see that all the households involved in the agricultural as a main occupation are absolute poor.

## 6.8 Causes of Poverty

In the field survey many respondents are curious about poverty and the reasons are the study area. People are so poor. What are the causes of poverty? It was a question for the community. They give different answer. Their answer is being shown below.

**Table 6.7**  
**Causes of Poverty**

<b>S.N.</b>	<b>Causes of Poverty</b>	<b>No. of HHs</b>	<b>Percentage</b>
1	Lack of education	4	8.88
2	Lack of employment opportunity	4	8.88
3	Small quantity of land	9	20
4	Lack of technology	3	6.66
5	Traditional Society	3	6.66
6	Lack of technology	6	13.33
7	Expansive goods but low rate of agriculture product	10	22.22
8	Lack of good governance	1	2.22
9	Lack of continuity of work	2	4.44
10	Lack of security	1	2.22
11	Lack of co-operative	2	4.44
<b>Total</b>		<b>45</b>	<b>100</b>

Source : Field Survey, 2010

The table 6.7 represents that 20 percent respondent said it is a cause of small quantity of land, 13.33 percent said expensive market goods but rate of agriculture product, 6.66 percent households attribute poverty to traditional society and 8.88 percent consider lack of employment

opportunities and lack of agriculture markets and highest 22.22 percent households respondent shares the main cause poverty that the 'expensive goods but low rate of agriculture product'. But in conclusion they felt themselves about their poverty.

### 6.9 Status of Skill

To earn the money or to get job, skill is very important. Here, vocational training has been explained. In this study area in 45 sample household, only five persons have got different vocational trainings. Being poor, not having enough skills on hand also may be the one of the causes of poverty.

**Table 6.8**  
**Status of Trainings**

S.N.	Name of Trainings or Skills	No.	
		Male	Female
1	Driving	2	-
2	Tailoring	-	2
3	Others	1	-
<b>Total</b>		<b>3</b>	<b>2</b>

Source : Field Survey, 2010

## **CHAPTER-SEVEN**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **7.1 Summary**

Poverty is mostly concerned in rural area of Nepal. It is one of the developing as well as poorest countries in the world with a per capita income of about US \$210. More than 87 percent total population live in rural area. This country is facing too many problems in recent years, which are rapid increase in population, insecurity and growing incidence of rural poverty. Incidence of poverty has become the most important obstacle of development in this country. Rural area of Nepal is more affected by the socioeconomic indicators such as: Small size of land holding, survival oriented agriculture production, low literacy status, problem of unemployment and disguised unemployment etc.

Semlar VDC of Rupandehi District has been taken as the study area in order to 355 total populations.

#### **Major Findings**

- For the study area; to find out the problem of poverty the sample size of the study is 45 households.
- In Semlar VDC, 66.66 percent of the households are dependent on agriculture.
- For the study area, Rs. 26.54 per capita per day has been drawn as the absolute poverty line.
- In the study area, 15.55 percent households and 18.02 percent people are absolute poor.
- In the study area, 37.77 percent households and 36.61 percent people are relative poor.



- In the study area, 46.66 percent households and 45.35 percent people are Non-poor.
- In the total sample population, male population is slightly greater than female. The percentage of male population is 53.4 and female population percent is 46.59.
- The percentage of economically active population is 54.65 percent.
- Similarly, the mean income of the poor household is Rs. 31.88 per capital per day.
- The study has found 12.05 percent of total sampled populations are illiterate; 67.75 percent literate and 20.20 percent population are educated.
- Similarly, the mean income of the absolutely poor household is Rs. 17.45 per capita per day.
- The calculated value of Sen's poverty index considering inequality is 0.2181 and without considering inequality in income distribution among poor is 0.1745.
- The value of Gini-coefficient among the absolute poor household is 0.13. It indicates that there is existence of income inequality among the absolute poor HHs.
- The nature of poverty is more serious in case of ethnic groups like Tharu, Damai, Kami, Sarki, Chamar etc. but it is less serious in others.
- There is a disparity in land holding because most of the poor households are found to be landless, agricultural labour or marginal landholders.
- The poverty problem is high among the illiterate people as well as other own in the study area.
- The dependent populations (below 14 years and above 60 years) are high among the poor people. Nearly 45 percent population is dependent or falls on non working group.

- In the study area the income level is high, whose main occupation is service/business but the income is relatively low, whose main occupation is agriculture, labour and other.
- In the study area, it is also observed that most of the poor people spend a large proportion of their income on liquid consumption, smoking, gambling, cinema, traditional festivals and ideal stay.
- The main cause of poverty is low productivity, lack of education, agricultural, market, technology, work continuity, brave, and traditional society etc.
- It is also found that among the total sample HHs 22.22 percent have female household heads and 77.78 percent are male HHs heads.

## **7.2 Conclusion**

Poverty in Nepal is multi-dimensional and deep-rooted in rural areas as in other developing countries. Most of the Nepalese poor are dependent whose main means of support is agricultural production. The problem of poverty in Nepal arises due to various reasons such as small size of land holding, low productivity, lack of market facilities and other basic infrastructure, lack of farm jobs, lack of rural credit, lack of agricultural training etc.

The objectives of the study are to see the extent and nature of poverty and prove that 18.02 percent people are absolute poor. Most of the people are landless or those who have their own land in very small size are living in very small but with a very large family size. The living standard in rural areas is very poor and there is vast gap between rich and poor. Consequently a large proportion of rural population has remained underemployed and their basic minimum need of life such as food, shelter, clothing, education, health care, drinking water has remained unfulfilled in rural Nepal. Due to such reasons most of the rural people are bounded to face a low quality of life.

In this study area most of the poor are either illiterate, literate or educated they are unemployed and they have no capital and skill to do some other business thus, there exists distribution of income is highly unequal which helps to strengthen the circle of poverty. People cannot save their income for other purpose that drives them into vicious circle of poverty.

In field observation, it was also seen that all the poor lives in *nut and Kachchi* house with a large family size, most of the people have very small sized of land and it is not registered. So far their feeding is concerned. They are ill fed, badly suffering from hunger and malnutrition and their slender body and winked face shows of them are in vat burden of loan. They take loan from local money lenders with high rate of interest. Some of them go to Sanakishan cooperation Cooperation. Grameen Bikash Bank, Women cooperatives and other financial institutional some of them go to foreign country (India) for job but they do not get good work as a result they shelter fixed properties to pay loan.

Hence, it can be concluded on the basis of all results of this study that study area's people have low land on account of inequality size of distribution of land and income because they cannot generate sufficient income. Poor people are mostly illiterate because they have no sufficient land; they cannot do outside work because they have no skill because they are uneducated.

### **7.3 Recommendation**

The problem of poverty is different from country and even from region to region within a country. In Semlar VDC Rupandehi, the average per capita per day income of absolute poor has been found to be Rs 17.45 which is barely sufficient for bare necessities of life. The extent and cause of poverty for the study area were discussed in previous chapter. The following specific policies are recommended to minimize poverty in study area.

- In the rural area more people are forced to involve in agriculture due to lacking of alternative employment opportunities in non agriculture sector. So in order to reduce disguised unemployment

in agriculture employment opportunities in other sectors should be created. For this, irrigation etc. can help to reduce poverty both directly and indirectly.

- Modern technology in agriculture is necessary if the people depended on agriculture is raised up through value chain in their agro- products, most of the people will get high level of standard of living.
- In order to encourage saving and discourage unproductive expenditures such as consumption of alcohol, smoking gambling etc. Public awareness programmes should be expended in rural area.
- Improved agricultural technology livestock development, vegetable cultivation, poultry farming, bee keeping, vocational training and some cottage industries should be promoted.
- Large family size is another serious problem of poverty in the study area, so the importance of family planning should be taught to the villagers.
- The central level of poverty alleviation program must be effective for the rural area and local people.
- The government has to provide modern seed and fertilizers to the poor, has to provide training of modern method of farming to farmers alone.
- The NGOs and INGOs go in surface level so they must go to direct poor people than it will play vital role for the minimize of poverty.
- Those who are literate and educated people are unemployed, they do not help their parent in agriculture sector, and therefore their standard of living is falling down slowly. So the government must be state plan to manage them
- Practical education, Technical and vocational education must be implemented.

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