

**THE NATURE OF POVERTY IN THARU COMMUNITY  
(A Case Study of Madhawaliya VDC of Rupandehi District, Nepal)**

**A Thesis**

**Submitted to the Central Department of Rural Development  
in Partial Fulfillment for the Requirement of Master Degree of Arts  
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## LETTER OF RECOMMENDATION

The thesis entitled "**The Nature of Poverty in Tharu Community (A Case Study of Madhawaliya VDC of Rupandehi District)**" has been prepared by **Mr. Mohan Prasad Bhandari** under my supervision. I hereby recommend this thesis for the final evaluation by the Thesis Evaluation Committee as a partial fulfillment for the requirement of the Degree of Master of Arts in Rural Development.

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We hereby certify that the thesis entitled "**The Nature of Poverty in Tharu Community (A Case Study of Madhawaliya VDC of Rupandehi District)**" Submitted by **Mr. Mohan Prasad Bhandari** to the central Department of Rural Development, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of Master of Arts in Rural Development has been found satisfactory in this format, scope and quality. We, therefore, accept the thesis as a part of the said degree.

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## ABSTRACT

Poverty is widespread in Nepal and intense in rural areas. It is persisted for decades and recognized as deep-seated and complex phenomenon. Due to the complexity of the problem, raising the living standard of the people in sustainable manner by reducing the existing poverty has always been the biggest challenge ever of the planned efforts of development.

This is an attempt to study the nature of poverty in Tharu community. This study was conducted at Madhawaliya VDC, Rupandehi district. The study was conducted with the objectives to examine the present socio-economic situation of Tharu community

In addition, overall adult literacy rate has increased over the past 13 years, from 1990 to 2003. However income inequality and rural-urban gap is still rampant. Similarly, gender disparity is wide in Nepal. In terms of empowerment Tharus are still largely without voice and influence in the public domain. Further the low caste Tharu people and people of different ethnic groups have very low level of living standard as compared to others. Majority of Tharu and ethnic people live below the subsistence level 90 percent Tharu people are dependent on the agricultural sector.

The local level case study of Madhawaliya VDC, Rupandehi District reveals that the extent of poverty in Rural Nepal is very high. The distribution of land is not fair and the production does not last more than six months for majority of the people. The case study of Madhawaliya VDC also reveals that there is high illiteracy and high unemployment situation among the people.

The percent achievements on socio-economic indicators may not be sustained if service delivery remained disrupted due to conflict without reestablishment of peace and stability in the country and initiation extra effective efforts on socio-economic development, achieving Millennium Development Goals (MDGs) will merely be a mirage.

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## **ABBREVIATIONS AND ACRONYMS**

AD	Anno-domini
ADB	Asian Development Bank
APROSC	Agricultural Project Service Center
BLUE	Best Liner Unbiased Estimator
CBS	Central Bureau of statistics
GDP	Gross Domestic Product
CEDA	Central for Economic Development Administration
CEDECON	Central Department of Economics
CLRM	Classical Linear Regression Model
CPI	consumption Poverty Index
DF	Degree of Freedom
FAO	Food and Agriculture Organization
FGT	Forest Gree Thorbeke
GBRs	Gramin Bank Replicators
GLS	General Least Square
gm	gram
GNP	Gross National Product
HDI	Human Development Index
HDR	Human Development Report
HHs	Households
HMG	His majesty Government
HMG/N	His Majesty's Government of Nepal
HPI	Human Poverty Index
ILO	International Labour Organization
INGO	International Non-Governmental Organization
IRDPs	Integrated Rural Development Programs.
Kg	Kilogram
LDCs	Lower Development Countries
LSMS	Living Standard Measurement Survey
MDG	Millennium Development Goal
MHBS	Multipurpose Household Budget Survey
MOF	Ministry of Finance

MOH	Ministry of Health
MPC	Marginal Propensity to consume
MSC	Mean Sum of Square of columns
MSE	Mean Sum of Squares of Error
NARC	Nepal Agricultural Research Center
NGO	Non Governmental Organization
NLA	National Labour Academy
NLSS	Nepal Living Standard Survey
NPC	National Planning Commission
NPCS	National Planning Commission's Secretariat
NRB	Nepal Rastra Bank
NRs	Nepalese Rupees
NSAC	Nepal South Asian Center
OLS	Ordinary Least Square
PPAs	People's Participation Activities
SAARC	South Asian Association for Regional Co-operation
SEE	Standard Error of Estimates
SLC	School Leaving Certificate
SSC	Sum of Squares in Columns
SSE	Sum of Square of Variation with in Samples
SSR	Explained Sum of Square
TSS	Total Sum of Square
TUCL	Tribhuvan University Central Library
UN	United Nations
UNDP	United Nations Development Program
US \$	American Dollar
VDC	Village Development Committee
VDP	Village Development Program
Viz.	That is to say, in other words
WB	World Bank
WDR	World Development Report

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

Human being has various obstacles of hindrances in the path of development, it can be mentally, physically, socially or economically, and among such obstacles 'poverty' is the major subject of study in the modern time and especially, in the context of South Asia and Africa.

For the abolishment of poverty, several NGOs, government sector, private sectors and in mutual collaboration or in individual way, they are in tremendous effort to root out poverty but in the contrary, poverty is stretching its existence globally.

The hands of poverty have not only overcome to the poor countries vis. Nepal, India, Bangladesh in Asia or Ethiopia, Mozambique in Africa but rather highly developed country, USA and European countries too, are suffering with poverty. In the context of developing and least developed countries, people are surviving in rural areas than highly facilitated urban place. Mostly people of rural areas are deprived of good education and even they are lacking with basic needs, which are the first priorities of the government. In these countries, the main source of life for livelihood is merely agriculture. But due to the traditional agricultural system and useless policy of government they can not produce sufficient crop as they require.

And further more, for option occupation, due to the lack of sufficient governmental and private industries, other developed private sectors, these rural people are bounded only in 'cattle' and 'crops'. As the consequent; these people are becoming much poorer and poorer.

Poverty is definitely vigorous problem for society, country and the world. Looking surface; poverty, inequality and unemployment are

seemed closely related with one another. Eventually they are looked same but they are not synonymous, rather they may have some close interrelation. Mostly in developing countries, about one third of the populations are surviving on less than US \$ 1 per day (poverty line defined by world bank and measured in 1985 international prices in purchasing power parity term, WDR, 2000). In comparison with other continents, South Asia and Africa are much suffering form poverty in the world. Economists and social scientists are also trying to separate between underdeveloped countries and developed countries by using the following indicators, like low per capital income, low gross domestic product (GDP), low gross national product (GNP), agricultural dependent countries, illiteracy, high infant mortality rates low level of life expectancy, lack of resource mobilization, undeveloped values and institutions, less developed of tools and technology, political instability, etc.

As I have already mentioned, that developed countries are too touched form poverty. But in the issue of developing countries are too touched form poverty. But in the issue of developing countries, two third of the total population are below the poverty line. According to the world Bank, "Poverty means the inability of people to attain a minimum standard of living." Around seven (7) hundred million people or 20 percent of the total world population are ultra poor, 100 million people are houseless, (Neupane, 1997). Among the total poor, half of them are living in South Asia.

Poverty is worldwide problems. So it is called that, "Poverty of one country affects another rich country badly." Since the least two decades,

we have seen that most of the developed countries are paying much interest to root out poverty from developing countries.

Nepal is among the poorest countries in the world because 38 percent of the people of the country live below the poverty line. The income and consumption level and overall living standard of the people have remained very low. The incidence of poverty is higher in rural areas where 44 percent of rural people live in absolute poverty (HMG/NPC, 2003:24), while estimates based on a poverty line of 1\$ a day per person put the figure at more than 50 percent. All these evidences reflect that the problem of poverty in Nepal is very acute. At the same time, the Human Development Index (HDI) is also embarrassingly low (0.504) in comparison to other South Asian countries and the world (The Himalayan Times 2004, July 20:1)

Poverty in Nepal is predominantly a rural phenomenon for it is greater in rural areas, especially in higher altitude and less accessible regions and among lower castes and ethnic minorities. In fact, the rural people born in poverty, grow up in poverty, live in poverty and die in poverty. In reality, poverty is a state of not getting the minimum needs of life. Death is said to be a most dreadful truth, but poverty is worse because it generates death. In the world, most of the cases of suicide are found by dint of poverty (Kunwar, 2003:9)

Poverty in Nepal has, in fact, persisted for decades, and it is recognized as a deep seated and complex phenomenon. For this reason, there are no quick and easy solutions to overcome the problem. Because of the complexity of the problem, raising the living standard of the people in a sustainable manner by alleviating the existing poverty has always been the biggest challenge ever of the planned efforts of development.

Nevertheless, it was explicitly stated as an objective only since the sixth plan in 1980. The first attempt to formulate a separate plan with long-term perspective for poverty alleviation was made during the seventh plan period (1985-90). However, poverty alleviation received the prime objective in the Eight plan in the history of planned development of Nepal.

The genesis of planned development in Nepal commenced in the 1956. Since then, a three year plan and eight five year plans have already been completed. The Tenth Plan is on the way, which has come into effect from fiscal year 2002/03. The Tenth Plan is the third plan after the restoration of democracy. As in the last plan periods, poverty has remained the first and foremost challenge of the country even for this plan. Poverty alleviation, hence, is taken as a prime objective of the plan and interim poverty reduction strategy has been incorporated in it.

In Nepal, poverty is related with unemployment, small and marginal farmers and underdeveloped of Banking system. Most of people are engaged in agriculture so, disguised unemployment rate of Nepal is very high. Due to lack of developed private sectors and industries, Nepalese are departing abroad in very high mass, even skilled technician and skillful people are, to disappearing. So, this is cleared that now a days Nepal is suffering with brain drain. Nepal is full of villages, that's why the landlord and so called wealthy people are exploiting with high rate of interest to the poor people very much. The result is showing that those types of people are migrating and trapped in poverty line.



## **1.2 Introduction of the Tharu Community**

Nepal is a multi-ethnic, multi-lingual, multi-cultural and multi-religious country. And regarding to tarai region, it is classified as inner taria and tarai. Among several tribes, Tharu tribe is also a branch of ethnic groups. It is a tribe of ethnic people, which is recognized by Nepal Government among the 61 ethnic tribes. Among them Tharu is one vital ethnic group. This particular tribe is depressed politically and socio-economically and more it deserves highly illiterate community of Nepal.

The total population of Nepal was 23151423 according to 2001 census but at present it is estimated informally near about 23.15 million. According to 2001 census, males were 11563921(11.56%) and females 1158752(11.58%). In the case of Tharu, total population in Nepal is 1339308, which is 7.24 percent of the total population. The total population of Rupandehi district is 522152 among them males are 264607 and females 257543. In the case of my study area, total population is 5380, and among them, males are 2679 and females 2701. Total population of Tharu ethnic in Madhawaliya VDC is 556 which is 10.33 percent of total population of the VDC and among them males are 261 and females 295.

Not only the condition but also the socio-cultural condition, has much to do with poverty. As the poverty in rural area is studied, the ethnic and lower caste groups are found to be most suffered. In Nepal, caste is a important social organization and this has several dimensions in rural areas. It is related to the landlord and other resources. Thus, it shows the major cause of inequality.

Since last decade after the reestablishment of democracy, one can see multi-party system in our country but in each and every area, either in the field of finance or in the field of politics, it is cleared that the chief

hands which are being involved belong to all upper-castes peoples. And in contrary, ethnic people are in tremendous effort to reach in the same place but the result is zero. And further more, since last ten years in the political field of Nepal, 'Maoists' are appearing in politically scenario and unfortunately among them, more are 'Tharus' and more to whom Maoists murder in the so-called name of public punishment, they too, belong to Tharu. With bitter feeling, these so-called 'Tharu Maoists' are too murdered in the encounter in operation like 'kilo-shera two' by Government. So, this is the bitter experience being a conscious Tharus.

In the context of poverty, it is widely spread in rural parts than in urban areas of Nepal. In the rural parts, ethnic people are spending their life with very bitter experience and among them, Tharu community lives in deprived condition with the lack of basic needs of life.

### **1.3 Statement of the Problem**

Nepal is a landlocked developing country. According to administrative base, it is classified in VDCs, municipalities and metropolises. The 3913s VDCs are rural localities of Nepal, whereas 87.6 percent people are living (Adjusted populations from population census, 2001). Due to low development of private sectors, business, mines, natural resources, technology, services and industries, the economy of Nepal is based on agriculture. Development of agriculture plays crucial role to uplift the standard of living and national economy but it is not so easy. Due to unequal distribution of land, about 78 percent farmers are small farmers of cropland; only 21 percent of land areas are suitable for cultivation among the total land (WDR, 1999). Lack of qualitative fertilizer, developed seeds, scientific techniques and tools and irrigation cause the major problem of agriculture. And about 69 percent lands of

total cropland is still depended upon the weather and monsoon which is the bitter reality.

Education is the striker to overcome the trap of poverty but in Nepal, its situation is also not satisfactory. Due to the illiteracy, people are not aware about population that's why population growth rate is much high comparing to other developing countries. Looking the condition of our country, population growth rate is higher than the rate of GDP, so it is also the main cause of poverty.

The inequalities in the distribution of income and wealth have been the major causes for aggravating poverty. Political changes and corruption are also the main reason for this worse situation. Due to the social structure of vast inequality, fruits of development have not reached to poor people. Furthermore, the tax based system is also not appropriate to eliminate poverty because more revenue comes through the indirect tax rather than direct taxation so it tortures poorer and makes deep ditch between rich and poor.

In Tharu community, the people are religious and follow the traditional conventions. They take loan from rich people and landlord to show the snobbery to their neighbours and invest these amounts in unproductive work as marriage, worshipping of God, birthday, etc. So they are trapped in unseen chain due to the lack of banking system and these loans are shifted to their son and grandson. So these people take birth in loan, live in loan and die in loan. In this way, number of absolute poors increases per year. Another bad habit, which these people have, is: the habit of taking liquor and smoking, which is not benefit form any aspect.

In the study area, there are so many ethnic groups, among them Tharu' is one. This particular ethnic group Tharu' is scattered in all Tarai

parts of Nepal. But this research paper focuses especially on the context of Madhawaliya VDC. So the main focus of the study is about the cause of poverty and its consequent.

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

One of the main objectives of tenth plan is poverty alleviation. So, many short and long term programs were launched in this related field but results are not to satisfactory. Despite the efforts of the government to provide an equal share of benefits of its development results for the deprived sector of the society, the nation is still facing the problem of gap between haves and have nots. In Asia and Nepal, respectively 50 percent and 85 percent people live in rural areas (WDR, 2004). According to Nepal living standard survey, 2004, 35 percent of the total population has remained under the very poverty line and among them 17.1 percent are counted as ultra poor.

Most of the Tharus are poor as well as depended on the agriculture. They have the unique traditional life style and several cultural festivals, which are quietly depended on superstition belief. They spend money for their festivals, parties and cultural occasions, which are totally unproductive. They have no idea to save and reinvest to uplift their own life style and for coming generation. Due to the poverty, they are backward in education, technical knowledge and other fields.

This study makes an effort to depict the economic condition of the Tharu community of Madhawaliya VDC. Thus the present study will be helpful for development plans for the disadvantaged groups of the society. It tries to present the incidence of poverty in the study areas, measures the extent of poverty and plays its relationship with other economic factors like income, employment, expenditure, landholding, etc. This study can be a guideline for policy makers in the field of

alleviation of poverty and to expedite the development efforts of the concern region.

### **1.5 Objectives of the Study**

The main objectives of the study are

- a. To examine the present socio-economic situation of Tharu community.
- b. To find the causes of poverty in the study area.
- c. To determine the relationship between poverty and other factors, vis. employment, income, education, expenditure, landholding etc.

### **1.6 Limitations of the Study**

The study has following limitations:

- a. This study will be limited to only the Tharu community and Madhawaliya VDC of Rupandehi district.
- b. This study will be based on small sample size. Therefore, the findings can not be generalized to the whole.
- c. Current market price of the commodities will be considered in the analysis.
- d. Generalized recommendations may or may not equally applicable to other parts.
- e. The value of products and service of self-consumption will be excluded in income.

### **1.7 Organization of the Study**

The research report is divided into seven chapters. The first is the introductory chapter which describes about the background of the study, introduction of the Tharu community, statement of the problem, significance of the study, objectives and limitations of the study.

The second chapter is about the review of literature. The related literatures are reviewed in this chapter. The chapter has covered wide range of subjects related poverty reduction such as definition and

measurement and causes of poverty, issues and problems of poverty reduction, poverty situation in Nepal, and so forth. The chapter has also attempted to review the past study in regards to poverty reduction.

Chapter three deals with the research methodology which includes site selection, sampling design, sources, techniques and tools of data collection and data analysis method.

Chapter four describes the poverty reduction trend. The chapter has analyzed the change occurred in socio-economic condition of people after the restoration of democracy in 1990.

Chapter five describes the analysis of poverty and its extent based on the case study with particular reference to Madhawaliya VDC of Rupandehi district. The chapter has included diverse set of subjects such as population, landholding situation, education and their relation to poverty.

Chapter six describes poverty problem and its nature. The chapter has included family size and the poor, education level of the poor, landholding and the poor and consumption pattern and the poor.

Chapter seven attempts to draw some of the significant findings, conclusions and move and some recommendations for the further improvement in the livelihood situation of the Tharu people.

References, annexes, appendices and questionnaire and included at the last of the report.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Definition and Measurement of Poverty

The word 'poverty' has been defined by different writers, scholars and institutions in different ways. There is no universally acceptable definition of poverty. However, some commonalities are found in their views and definitions. Poverty is, in fact, a state of not getting the minimum basic needs and perceived as undesirable by the persons or the people.

A book written by David Hamilton entitled *A Primer on the Economic of Poverty*, discusses about the meaning of poverty, where he has examined income and its distribution. He has raised income inequality as the major factor of poverty and he has used Lorenz curve to show it geometrically. He makes distinction between absolute poverty and relative poverty. However, he has made a due consideration on how to eliminate poverty.

Encyclopedia Britannica defines - Poverty is the condition that is said to exist when people lack the means to satisfy their basic needs. In the context, the identification of poor people, then, first requires a determination of what constitutes basic needs. These may be defined as narrowly as "those necessary for survival" or as broadly as "those reflecting the prevailing standard of living in the community." The first criterion would cover only those people near the borderline of starvation or death from exposure; the second would extend to people whose nutrition, housing, and clothing, though adequate to preserve life do not measure up to those of the population as a whole. Whatever definition one uses and whatever correlates one adds to one's definition, authorities and laymen alike commonly assume that the effects of poverty are harmful both to individuals and to society (Kunwar, 2009 B.S.:19).

According to Cutler (1984), poverty is defined on the basis of availability of basic needs. Those who fail to acquire these needs are led to poverty. Basic needs can include food, shelter, cloth, fuel, health, lighting and security of both life and property.

According to World Bank (1988), poverty is a state of economic, social and psychological deprivation occurring among people or countries lacking sufficient ownership control or access to resources to maintain minimal acceptable standards of living. It represents an exclusionary relationship where individuals or states are denied access to an adequate package of resources

In the view of Gillian & Gillian, "Poverty is that condition in which a person either because of inadequate income or non-envisaged expenditure doesn't maintain a scale of living high enough to provide his physical and mental efficiency and to enable him and his natural dependents to function usefully according to the standards of the society of which he is a member (Kunwar, 2059 B.S.:21).

Peter Lanjouw et al also define poverty in the similar way. They define poverty as a multi-dimensional concept, comprising the notion of lack of access to resources and opportunities, illiteracy, poor health, and lack of sanitation, deprivation of basic rights and security, and powerlessness.

Dandekar and Rath (1971) have defined poverty as a want of adequate income, deficiency of energies/under nutrition. Besides, they identified some more criteria for the measurement of poverty: (a) a very high proportion of expenditure to food (about 80-85 percent) in household budget: (b) a caloric minimum, and (c) balanced diet approach.

The Asian Development Bank's (ADB) report, 'Fighting Poverty in Asia and the Pacific', says: 'Poverty is a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services. Poor



households have the right to sustain themselves by their labor and be reasonably rewarded, as well as having some protection from external shocks. Beyond income and basic services, individuals and societies are also poor- and tend to remain so- if they are not empowered to participate in making decisions that shape their lives (ADB, 1999a:5). Poverty is therefore better measured in terms of employment or income, education, basic education, healthcare, water and sanitation, and so forth, further, such measures must also serve as a proxy for other important intangibles such as feelings of powerlessness and lack of freedom to participate.

In view of Robert Chambers (1983), poverty is a form of deprivation with strong interactive linkages to other forms such as physical weakness, isolation, vulnerability and powerlessness.

**Figure 2:1 The Derivation Trap**

Source: Chambers, 1983: 112

The Human Development Report (1997) considers that the people are poor when they cannot secure a minimum standard of well-being and when they have limited or restricted choices and opportunity for a tolerable life. UNDP (2000) considers that poverty has two dimensions - low income, which is insufficient to maintain a dignified life; and low

level of human capabilities, which restricts a citizen's options to lead a life of his or her choosing.

More often, poverty is defined in absolute and relative form. Absolute poverty implies the state of not receiving sufficient quantities of goods and services to satisfy the minimum needs of life. Michael P. Todaro (1990) explains absolute poverty as a situation where a population or section of a population is able to meet only its bare subsistence essentials of food, clothing and shelter in order to maintain minimum levels of living. Similarly, relative poverty is defined as the general standards of living in different society and class. In other words, if a person's access to the basic needs of life is relatively lower as compared to same reference group or people, it is then called relative poverty. Jain (1981) also defines these terms in similar ways.

Regarding the measurement of poverty, various scholars and institutions have suggested different techniques. Katar Singh (2002) opines that the measurement of poverty is beset with numerous conceptual methodological and imperial problems. Conceptually, it is difficult to define poverty in operational terms that are universally acceptable. Methodologically, there is no consensus among scholars about the best indicator or measure of poverty and empirically, given the choice of a particular measure of poverty, it is difficult to collect reliable data necessary for computing the value of the indicator/ measure chosen.

In many countries it is common practice to fix the absolute poverty line to a nutritional anchor. The poverty line is defined as the expenditure required for a person to be able to meet a certain minimal nutritional intake. Madalgi (1968) and Dandelkar and Rath (1971) used a nutritional

norm of 2250 calories per capita per day and an estimated level of consumption expenditure associated with this nutritional norm for India.

In Nepal NPC in 1976/77 considered NRs. 2 per day at 1976/1977 price as a minimum subsistence level of income to buy 650 grams of cereals and 60 grams of pulses to meet the average calories 2256 as suggested by Food Research Laboratory and FAO.

However, Jain (1981) expanded the above definition based on Rs. 2 per day in two categories: (i) those households who earn less than this income are poorest of the poor and (ii) those who earn more than this income and less than national average consumption expenditure (Rs. 2.68 capita/ day in 1976/77 prices) are categorized into above poverty line poor in the sense that these categories relate with absolute and relative poverty.

World Bank (1993) discusses two types of indicators of poverty namely economic and social indicators. Economic indicators as described by the Bank are poverty lines/headcounts and GDP per capita and social indicators are: GDP share on social sector public expenditure, net primary school enrolment, under five mortality rate, child malnutrition, immunization, maternal mortality, life expectancy at birth and so forth.

One of the UN studies in 1997 has listed the definition-priorities of poor according to the poor and developmental professionals. The poor have cited three distinct type of poverty-economic (or material), health and political (see table 2.1). Development professionals cite fine additional types of poverty, along with specific facets: lack of institutions in rural areas capable of bidding for, managing and/or monitoring development resources; lack of infrastructure; lack of education; lack of

housing and environment poverty-living in a polluted and depleted environment.

**Table 2.1: Definition of Poverty According to the Poor and Development Professionals**

Type of Poverty	According to the Poor
Economic (Material)	Lack of productive resources and equipment Lack of income-generating skills valued by the market Limited access to markets, local and more distant Lack of economically useful information (prices etc.) Lack of bargaining and market power in those markets Low incomes and low consumption from self-production Lack of economic security or of back-up resources for emergencies.
Health Related	Poor health, low resistance to illness and disease Lack of political power, often even at the local level Lack of access to power centers to initiate correct or improve political decision
	<b>According to development professionals</b>
Institutional	Lack of organized and recognized institutions to bid for/channel/monitor use of resources
Educational	Lack of literacy/numeric and other basic skills, and skills for adding economic value to work.
Infrastructure	Lack of basic access to infrastructure, transportation and storage facilities
Housing	Lack of adequate, sound shelter and sanitation at affordable prices.
Environment	A poor and deteriorating environment, form pollution, lack of clean air, water; erosion, deforestation, overuse etc.

Source: UN, 1999: 7, Table 2.

Some of the important terminologies and definitions are related to poverty are cited in table 2.2 below

**Table 2.2 Key Terms and Definitions**

Key Terms and Definitions	
Key term	Definition
Human Poverty	The lack of essential human literacy and nutrition capabilities, notably, literacy and nutrition.
Income Poverty	The lack of sufficient income to meet minimum consumption needs.
Absolute poverty	The degree of poverty below which the minimal requirements for survival are not being met. This is a fixed measure in terms of a minimum calorific requirement plus essential nonfood components. While absolute poverty is often used interchangeably with extreme poverty, the meaning of the latter may vary, depending on local interpretations or calculations.
Relative poverty	Normally defined in relation to some ratio of the absolute poverty line or, as in developed countries, as a proportion of average income per capita. As a relative it can differ across countries or over time.
Human Development Index	United Nations Development Programme (UNDP) composite of three factors (i) life expectancy at birth, (ii) adult literacy, and (iii) income per capita (adjusted for purchasing power parity).
Human Poverty Index	UNDP measure of deprivation in basic human development. The Variables' to determine the index are (i) the percentage of people expected to die before age 40; (ii) the percentage of adults who are illiterate; and (iii) overall economic provisioning, in terms of the percentage of people without access to health services and safe water, and the percentage of underweight children below age five.
Gender Empowerment Measure	UNDP assessment of the level of gender inequality in key areas of economic and political participation and decision making.

Source: ADB, 1999:39; Table A.I.I

## **2.2 Extent of Poverty**

Many scholars and institutions have tried to sketch the picture and extent of poverty. They have tried to assess the condition of poor people. Poor people are the underprivileged and disadvantaged groups in the society. They are living much lower standard of life as compared to others high class people.

According to World Development Report 2000/01, poverty remains a global problem of huge proportions. Of the world's 6 billion people, 2.8 billion on less than US\$ 2 a day, and 1.2 billion on less than \$1 a day. Six infants of every 1000 do not see their first birthday, and 8 do not survive to their fifth. Of those who do reach school age, 9 boys in 100, and 14 girls, do not go to primary school. The main home for the poor is Asia.

According to ESCAP (1985), poverty includes the people who are chronically hungry (if not starving); they are most often malnourished and frequently diseased. The poor are usually illiterate or insufficiently educated. They are badly clothed and live in rams hackle housing under unsanitary conditions. Almost by definitions, the poor lack sufficient resources to purchase food and other necessities of life as well as to enjoy the living conditions, which are customary in the societies. The purchasing power of the poor is so low that they are excluded from ordinary living patterns, customs and activities.

Chambers in his work entitled 'Rural Poverty Unperceived: Problems and Remedies' (1980). says that the isolation of poor families and households can be descried in terms which spatial, social and related to knowledge and access Spatially, poor families tend to be removed from the center of things, either they are in areas remote from urban centers or

they are on the edges of villages or away from main roads. Socially, they may have fewer relationships on which they can rely: poorer households tend to get smaller, and many of the poorest have female heads. They are illiterate, have no radio and know little about events beyond their neighborhood. Their members rarely go to public meetings, receive no advice from extension workers in agriculture, health, family planning or nutrition and travel little, except in search of work. They make less use of services (health, transport, education) than their less poor neighbors. They are either fragmented or scattered as members migrate for work or trapped in one place by debts and other obligations. He further mentions that in many ways, the poor people are at the end of the line. They take the longest to reach; they are the last to speak; they are the least organized, the least articulate and the most fearful. They often keep a low profile. Some are migrants.

The characteristics of poor and the extent of poverty described by M. Sharp Ansel et al are also much more similar to Robert Chambers and to ESCAP as mentioned above.

### **2.3 Causes of Poverty**

Various factors are attributed to cause of poverty. For example, low income leads to low standard of living such as poor housing, deficient food intake and malnutrition and people being under to afford some basic requirement of life. Low standard of living in turn leads to poor health, which leads to low productivity. Afterwards low productivity results in low income thus continue the vicious circle of poverty (Shrestha, 1997:99).

## **Figure 2.2: Vicious Circle of poverty**

Krishna Bahadur Kunwar in his book, "The Himalayan Poverty: Prosperity through Rural Development" (2003), discusses about poverty in detail along with rural development. He has raised not only the issues of poverty in Nepal but also of SAARC regions. He has vividly discussed the causes, types and effects of Poverty suggested ways to rural development and poverty alleviation. While discussing the causes of poverty, he lists the following as the prime factors responsible for generating poverty: (a) over population (b) imbalance distribution of resources of global economy (c) living standard not matching with the income (d) insufficient education and low opportunities for employment (e) environmental degradation (f) individual irresponsibility and dependency.

Other causes are indebtedness, unemployment, and loss of jobs or means of livelihood, illness, mental disturbance, accident, low skill, and litigation. In addition, bad habit, over expenditure, laziness and reluctance in utilizing labor as capital, are also responsible factors that cause the poverty. Others are loss of purchasing power, population growth imbalance in the demand and supply in the labor market, seasonal inconsistency, loss of traditional rural occupation, and insufficient growth



of the non-farm sector, wrongful educational system, and faulty governmental policies. Sometimes, war, crop failure, epidemic diseases and natural calamities cause severe poverty and results the condition become more complicated. Similarly, Kunwar mentions the effects of poverty much vividly. He writes that poverty mainly affects in the rural areas: (a) malnutrition and starvation (b) epidemic of infectious diseases (c) mental imbalances and tend to drug use (d) crimes and violence (e) long-term effects (lifelong recalls of childhood poverty). The poor suffer from food shortage and unhealthy living condition making them unable to get treatment and workable physically. The poor die before being old. They cannot survive like other people. The children born in poverty and remain poor for life long. They do not get opportunity of schooling. They sometime feel as refugees in their own soil sharing their parent's fate. These families are large and found reluctant for family planning. Being at the bottom of the society, aboriginals and tribal castes do not expect to escape from poverty.

As mentioned earlier that Poverty is a complex and multidimensional phenomenon. Poverty is not the result of a single reason. There are in fact many causes of poverty. In Nepalese context, NPC has identified the following causes of poverty.

- Low agricultural growth rate and monsoon variation
- Weak prioritization, weak process of selecting projects and smaller amount of budget allocation in a number of projects.
- Inefficient public delivery and lack of access of poor to the services delivered by the private sector.
- Political instability, peace and security problem.
- Weak bureaucracy, lack of transparency and responsibility.
- Social discrimination prevailing due to traditional social values.

Robert Chambers in his book, 'Rural Development: Putting the Last First'<sup>1</sup> (1983) regards that rural poverty is unobserved because of the six biases. The biases he mentioned about are: spatial biases, project biases, person biases, dry season biases, professional biases and diplomatic biases.

According to Kishor Kumar Gurugharana, two fundamental reasons, that are lack of political commitment and misunderstanding of dynamics of poverty, accounted for failure of past development efforts. He has analyzed that causes of poverty are deep-rooted in very socio-economic culture and political structure of the country. In this article, the author has presented the poverty incidence, characteristics of the poor, and the social indicators, food, security and malnutrition in Nepal. The author has discussed the dynamics of poverty in Nepal classifying the factors responsive for poverty. According to him, political and socio-cultural factors economic and demographic factors and geophysical area accounted for dynamiting the poverty situation. At last he concludes that poverty can be overcome by the provision of good governance, increase in investment on human development and discouraging rural bias in foreign aid.

The causes of poverty as identified by NPC and UNDP are cited below in table 2.3. According to table, the first three findings are same but others remain different for NPC and UNDP.

**Table 2.3: Causes of Poverty**

NPC	UNDP
i. Low economic growth ii. Poor social infrastructure iii. Poor governance	i. Low economic growth ii. Poor social infrastructure iii. Poor governance
iv. Socio-economic backwards v. Rural poverty vi. Low development investment vii. Limited pro-poor programs viii. Social exclusion ix. Political instability	iv. Low agricultural productivity v. High population growth vi. High unemployment

Source: HMG/NPC, 2003:33-34 and UNDP, 2002a:32-35.

## **2.4 Poverty Situation in Nepal**

Nepal is one of the poorest countries in the world. In other words, the country is one of the least developed countries (LDCs) in the world. Poverty in Nepal is widespread with 38 percent of the population living below the poverty line (HMGN/NPC, 2003: 23).

Poverty in Nepal is largely a rural phenomenon because it is deeper, more intense and more severe in rural areas (44%) of the total population. Poverty in Nepal is rampant and its incidence is high especially in mid-western and far western development regions. Likewise, poverty is deeper in mountain region (50%) as compared to tarai (42%) and hills (41%). The depth/ intensity of poverty in mountains, hills and tarai is 18.5 percent, 13.6 percent and 9.9 percent respectively; and in urban 7.0 percent and in rural 12.5 percent. Therefore, the data show that problem of poverty is most severe in mountain region followed by hill and terai region (HMGN/NPC, 2002: 15).

The level of poverty is high with marginal and small farmers in general; however, it is limited to them only but has extended equally to unskilled people and women headed households. Poverty pervades the life of low caste people, specially the dalits in society. By and large, women are highly affected by poverty and backwardness as reflected by the human development indicators (HDIs). Further, these indicators fall too low in case of women residing in mountain and other inaccessible areas. Commonly, the poor have no access into promising agricultural lands and unfortunately land under poor people's ownership lack irrigation facility. Because of unequal distribution of productive resources, which is the source of income, the condition of the landless and marginal farmers and their family is worrisome (HMGN/NPC, 1998: 196).

The intensity of poverty varies region to region in the country. There are also clear gender and ethnic disparities. Generally speaking, the level of education and health care is very low, which is even more pathetic among the backward communities. Access to social services such as drinking water, health and sanitation, school attainment, etc. still lies beyond the reach of much of the Nepalese population in geographically isolated regions (UNDP, 2001: 4).

The HDI of Nepal is embarrassingly low among the South Asian Countries and the world. The situation of human development recorded at the end of the Ninth Plan cited in table below could justify this statement. Similarly, there are noticeable disparities in HDI among various ecological zones (Mountain = 0.378. Hill = 0.510, Tarai= 0.474 as in year 2000)

**Table 2.4 : The Situation of Poverty and HDI in Nepal**

S.No.	Heading	HDI
1	Population below poverty (%)	38.0
2	Literacy above 15 years (%)	49.2
3	Primary class enrollment (%)	80.4
4	child mortality rate (1000 live birth)	64.2
5	Maternal mortality rate (100,000)	415.0
6	Total fertility rate (%)	4.1
7	Average life expectancy (yrs)	61.9
8	Population using drinking water (%)	71.6
	Human Development Indictors (%)	0.466

Source: HMG/NPC, 2002:17.

Nepal does not lack for poverty initiatives. They range from policies for broad based growth to infrastructure improvement and from expansion of basic social senders to interventions targeting the poorest

citizens. Nevertheless, achievements have not met expectations. Even though social and economic infrastructures have improved significantly, they have so far failed to benefit large sections of the population. Both human and income poverty persist large because of weak governance. Poverty reduction policies and programs have often fallen short of their aims. Basic social services remain inaccessible to large segments of the poor and the quality of these services is low. Public investments have yet to become effective in addressing poor people's needs (UNDP, 2001).

In conclusion, a real fact can be drawn that Nepal is a poor country though rich in natural resources, culture and heritage. The economic status and human development indicators of the majority of Nepalese people are very low. Poverty is deep-rooted in Nepal for years, which are multi in nature resulting from multi causes. Poverty has persisted in Nepal because of low economic growth, inadequate social and economic infrastructure, relatively high population growth. low access to land, low access to non-agricultural income and deep-rooted cultural and historical practices (UNDP, 2001: 32). In reality, majority of poor rural people born in poverty live in poverty and die in poverty.

## **2.5 Issues and Problems of Poverty Reduction**

World Development Report (1990) mentions the burden of poverty is spread ' unevenly among the regions of the developing world, among countries within those regions, and among localities within those countries. Nearly half of the world's poor live in South Asia, a region that accounts for roughly 30 percent of the world's population. Within regions and countries, the poor are often concentrated in certain places: in rural areas with high population densities. Often the problems of poverty, population, and the environment are intertwined: earlier patterns of development and the pressure of rapidly expanding populations mean that

many of the poor live in areas of acute environmental degradation. The weight of poverty falls most heavily on certain groups. Women in general are disadvantaged. In poor households, they often shoulder more of the workload than men, are less educated, and have less access to remunerative activities.

The World Bank (1993) has discussed some indicators of poverty. It has discussed economics indicators and social indicators. Economics indicators as described by the Bank are poverty lines/headcounts and GDP per capita and social indicators are: GDP share on social sector public expenditure. Net primary school enrollment, Under five mortality rate, Child malnutrition. Immunization. Maternal mortality, Life expectancy at birth. The Bank says growth per se is not sufficient to alleviate poverty unless its benefits are widely disseminated through public provisioning of social services, employment creation and supportive economic and sectoral policies. Impressive improvements in social indicators such as life expectancy, infant mortality' rate, primary school enrolment, maternal mortality rates can be achieved through increased public expenditure for social services and improved targeting to the poor.

S.Z. Sadeque in his article "Poverty Assessment, Poverty Reduction and Sustainable Livelihood" (2000), expresses that the state has main role to alleviate poverty. He further adds that poverty is endemic, persistent in South Asia, and continuous to adversely affect human potential of millions of deprived people every year. Sadeque concludes that poor economic opportunities and neglect of institutional strengths, systematic social deprivation and lack of transparent and participatory governance combine to reinforce poverty and social

exclusion. Public policy and action to reduce such hindrance are needed to understand and eliminate poverty.

Similarly, the author Kishor Kumar Gurugharana in his work entitled "Development Strategy for Nepal: Perception from Below" (1996) writes that the plans, programs and projects made in Katmandu usually flow like ripples on the surface and leave these hardcore pore, who lie like bed rocks at the bottom completely untouched

In this connection, Robert Chambers also highly appreciate people's participation in development activities so as to empower them, uplift their socio- economic condition and ultimately to alleviate the poverty. In this connection, UNDP (2000) highlights the significance of poor people's organization and their participation in development programs to alleviate poverty. The institution believes that foundation of poverty reduction is self- organization of the poor at the community level.

Similar to these, Hasan Moradi (1999) suggests that poverty alleviation requires expanding people's access to participation in decision-making and to knowledge, training, markets, and other productive resources for income generation such as land, technology, credit and information. He argues that securing a decent livelihood for people living in poverty requires attacking the many interrelated forces that keep them trapped in a state of deprivation. In this way, he has highly advocated for people's participation and their initiation to alleviate poverty.

In the view of Katar Singh, rural poverty implies the lack of development or underdevelopment. Rural Poverty is a worldwide problem. He further says that over one billion people in the world are estimated to be living in poverty. The incidence of poverty is highly uneven among the regions, and among localities. Within those countries. He in is book talks about the measures of poverty. In this regard. he

opines that the measurement of poverty is beset with numerous conceptual methodological and imperial problems. He discusses some common measures and indicator such as - poverty ration or Head count, Housing index, and Human Poverty Index (HP1). Most importantly, he specifies the measures of development by posing the following questions:

1. Has the number of rural people below the absolute poverty line been declining over time?
2. Has the degree of income inequality in rural areas been declining over time?
3. Has the level of rural unemployment been declining over time?
4. Have the nature and quality of public educational health and other social and cultural services in rural areas been improving over time?
5. Has economic progress enhanced individual and group esteem of rural people, both internally vis-a-vis one another, and externally vis- a-vis other nations and regions?
6. Finally, has economic progress expanded the range of choice available to rural people, and freed them from external dependence and internal servitude to other men and institutions?

These questions are very crucial to identify the condition of poverty or the level of underdevelopment.

Narayan Prasad Upadhyia in his article "Government's Tenth Plan: Poverty Issues", views that poverty mitigation, by and large, has been the main concern of every development plan but the micro- economic result has always been pathetic. According to him, a large number of factors are responsible for poverty in Nepal. Some of them are interlinked and some work in cause -effect chain fashion. He views that poverty alleviation needs simultaneously targeting alongside a momentum derived from market oriented agricultural policies and rural development, local



institutions, local leadership, the dynamism of township and rural industries.

Bishnu Prasad Gautam in his article "Redefining Poverty of Nepal" writes poverty is perhaps the most basic cause for the escalation of conflict violence, clash, depression and disorder in a society. Further, he opines poverty is the greatest enemy of all the poor people. He strongly argues that financial sufficiency alone is not the only means to erase the poverty tag. He opines along with financial assets, social, human and natural assets are equally important to alleviate poverty. He blames bureaucrats that they are not willing to cooperate with the people, they are there to show the difficult rules and discourage common people to invest in income generating activities. He further argues that private and community based enterprises could have blossomed in Nepal had there been amicable officials in government institution. It is the mentality and culture that is poor in Nepal not the people and culture, he believes. He finally suggests that community cooperatives should be encouraged to operate in villages, which can create magic in the area of development.

Chandra Dhakal in his article "Poverty Alleviation in Nepal: A Serious Challenge", speculates that the current anti-poverty programs being implemented have chances to be failure to achieve the set target. He further, realizing the reality in Nepal writes the plans and programs and projects for the last five decades, supported by various multilateral and bilateral donors, have done very little in benefiting the poor whose number is constantly on the rise. In this connection, he adds that the experience of wide range of policies focused against poverty in the country for the last five decades shows no visible impact on the lives of the poor in the rural society, instead, over the years, the rural sector is adding the total number as well as proportion of the total population

which is below the poverty line. Lack of political commitment of the government reflected mainly in its weak implementation of professed policies and programs and lack of proper understanding by donors about the dynamics of poverty in Nepal are fundamental reasons that he finds behind the lack of appreciable success of past development efforts in uplifting the living standard of the majority of population and alleviating poverty. He suggests finally adopting policies driven toward creating new job opportunities in the farm and non-farm sector to reduce poverty because the recent problem of poverty in Nepal is very much linked with the unemployment.

Prajeena Karmacharya concludes in her article "Are Pro-Poor Policies RealK for Poor?" that policies designed to enable the marginalized and disadvantaged groups of people are not pro-poor because much of the fruits of development are centered on the elite and the affluent. She sees the need of a comprehensive pro-poor approach to bring about a positive change in the lives of the poor, disadvantaged, marginalized and isolated people and increase their standard of living in a long term.

Poverty in Nepal is also closely related to the degree of social, political and economic exclusion. Women and ethnic groups, by and large are left out of the mainstream of development, because they lack voice, empowerment, representation and access to economic opportunities and resources. Similarly, the remote districts and regions are further away from centers of power and influence and are the most neglected. Another key determinant which cuts across and exacerbates the impact of these factors on the poverty pattern is weak governance, which includes ineffective government, poor resource allocation, weak implementation and service delivery performance and corruption and leakages among others (HMG/NPC), 2003: 36). In this connection, the Ninth Plan

analyzes that the followings were the causes of the failure of past development efforts of poverty alleviation and development:

- According to the concept of perspective, planning, periodic planning should have been executed in an integrated manner. However, due to lack of such long-term vision, the objectives of each periodic plan vary and consequently lack the continuity in strategies.
- Lack of clear-cut vision on human resource development.
- Inability to divert foreign aids towards development priorities and to use the aid in a coordinated way.
- There is no clear-cut vision on decentralization, and nature and scope of autonomy of local bodies have not been prepared. In such a situation, there is lack of an effective institutional system for local development and development of backward areas and ethnic groups.
- Inability to formulate annual programs according to the objectives and targets set by the plan.
- Lack of system to distribute resources on the basis of cost-benefit analysis.
- Lack of legal and institutional infrastructures necessary for competitive market economy.
- Lack of effectiveness in different plan-related activities, such as studies, researches, monitoring and evaluation, and premature institutional development for these activities.
- Weakness in different aspects of good governance, such as the rule of law, public accountability, transparency, people's participation, etc.

- No necessary infrastructures have been built for the commercialization of agriculture.
- Lack of self-mobilization and strong tendency to be dependent on government because of the prevalence of development programs under state direction and control.
- Prevalence of the state-directed and controlled development process.
- Inability to properly identify the sectors having comparative advantage and competitive capability due to the lack of strong institutional development related to planning and studies.
- Lack of various recognized standards and qualities for directing various sectors involved in economic activities

The World Bank Report (1990) concludes that reducing poverty is the fundamental objective of economic development. Knowledge about the poor is essential if governments are to adopt sound development strategies and more effective policies for attacking poverty. How many poor are there? Where do they live? What are their precise economic circumstances? Answering these questions is the first step toward understanding the impact of economic policies on the poor.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Site Selection**

The study area was selected Madhawaliya VDC of Rupandehi district to underline the field based research study. There are many causes to select the VDC to undertake the research study. Madhawaliya VDC lies in the tarai district which may represent the second number of districts of Nepal. Besides it was found accessible to reach and undertake study for the researcher on the other hand, Madhawaliya VDC consists of small number of households and population. That is why it was easy to undertake the study representing the entire universe or population. Rupandehi one of the accessible district among six districts of Lumbini zone has 86 village development communities. Madhawaliya VDC is the southern part of this district, which lies completely on tarai region. According to the report of 2001 census, 828 households were dwelling there. Among them 5380 population of this VDC, 2679 are male and 2701 are female. The total population of Tharu ethnic in Madhawaliya VDC is 556 which is 10.33 percent of total population of the VDC.

#### **3.2 Sampling Design**

According to the census 2001, there are 828 households in Madhawaliya VDC. Then, in this research, researcher chooses 50 households out of total 96 households that stands 52.08 percent was chosen in this study. Then simple random sampling was used for the household survey and interview. There are six types of random sampling in which researcher has used simple random sampling. In two types of simple random sampling, researcher has selected simple random sampling without replacement. Methods of drawing a simple are also two types. But, for the simplicity researcher has used lottery method.

### **3.3 Source, Techniques and Tools of Data Collection**

#### **3.3.1 Sources**

There was mainly two source of data collection viz. primary source and secondary source. For the secondary source, different journals, documents, books, world bank, Ministry of Finance and other ministries, central Bureau of statistics, reports and other published literature were consulted. The primary data were collected from the field consuming a whole month time period.

#### **3.3.2 Technique and Tools**

The major techniques used to collect data were household survey, key informants interview and observation. First of all a list of households according to their dwelling area was prepared with the help of Madhawaliya VDC chairman of wards, and other important persons of the study area. To collect the information or data through the household survey the sample population was divided into different strata based on the geographical and socio-economic setting covering of people form different toles. In order to work out for this process, help of some teachers was taken. Further, list of some well renowned personalities of the VDC such as teachers, social workers or government officials, was made and they were reached. The household survey questionnaire was used with household head of the family. In this research researcher chooses 50 household out of total 96 households that stands 52.08 percentage households by using random sampling or probability sampling. There are six types of random sampling in which researcher has used simple random sampling . In two types of simple random sampling researcher has selected simple random sampling without replacement. Methods of drawing a simple are also two types. But, for the simplicity researcher has used lottery method.

By the personal talking and interview with the household heads, will be collect necessary information and data. Relevant books, Journals reports, publications of national planning commission, Nepal Rastra Bank, World Bank, Development Bank, United Nations Development Projects etc are also consulted.

### **3.4 Data Processing**

After completing questionnaire by the help of field survey the information have been plotted in a master table and then necessary primary data such as income, land holding, family size, level of education, consumption expenditure etc. for the study were taken out form this chart to meet the objective of the study.

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

Expect simple calculation like percentage and average diagrammatical presentation as well as the other some statistical tools are used to show the interrelationship among poverty, inequality of income, unemployment, education expenditure etc. Various statistical tools are discussed below to measure the absolute poverty, relative poverty, and total poverty as follows:

#### **3.5.1 Absolute Poverty Line**

To measure absolute poverty, FAO's subsistence norm is followed. The household with per capita income below minimum subsistence level is termed as absolute poor. According to FAO, (NPC, 1987) estimation, the per capita day calorie requirement for survival for Nepal is 2256. For this calorie intake, net consumption of 605grams of cereals and 60 grams of pulses are required, In order to find per capita per day value of 650 grams of cereals and 60 grams of pulses, they are multiplied by their respective local market prices.

According to NPC, expenditure on minimum food requirement (605 grams of cereals and 60 grams of pulses) secure only 65 percent of total subsistent consumption expenditure, other 35 percent of subsistent income is spent on other food and nonfood items (NPC, 1987).

### **3.5.2 Relative and Total Poverty**

The relative poverty is estimated with the help of Wolf Point and Absolute Poverty. Those households are relatively poor whose level of income is higher than subsistence level but below the Wolf Point level. Simply the difference between percentages of total poor minus percentage of absolute poor is relative poor.

For deriving total poverty, we take a linear Keynesian consumption function and compute Wolf Point.

#### **(i) Keynesian Consumption Function**

In this, Keynesian consumption function, it is assumed that consumption is the function of level of income, which is expressed as:

$$C_i = a + bY_i$$

Where

a = autonomous consumption

b = marginal propensity to consume

$C_i$  = consumption expenditure

$Y_i$  = income level

#### **(ii) Computation of Wolf Point**

To compute Wolf-point, we have to know the value of a and b of Keynesian consumption function. Thus we have to do regression analysis as follows:



$$C_i = a + bY_i$$

$$\sum C_i = na + b \sum Y_i \text{ -----(i)}$$

$$\sum C_i Y_i = a \sum Y_i + b \sum Y_i^2 \text{ ----- (ii)}$$

Where,

n = Number of observations

We use equations (i) and (ii) to determine the value of a and b by the help of matrix method.

The Wolf-point is considered as that point at which  $C_i$  and  $Y_i$  equal in our Keynesian consumption function. Thus, mathematically, we can express:

$$C_i = a + bY_i$$

When,  $C_i = Y_i$  we get

$$C_i = a + bC_i$$

$$(1-b)C_i = a$$

$$C_i = \frac{a}{1-b}$$

$$(C_i = Y_i) = \frac{a}{1-b}$$

$$\text{Wolf-point } (C_i = Y_i) = \frac{a}{1-b}$$

The Wolf point gives the total poverty. Hence the household, which lies below this poverty line is known as poor.

### 3.5.3 Estimation of Non-poor

Those households are considered to be non-poor whose income level is above the Wolf-point. In simple words, those people called non-poor who can save if they desire.

### 3.6 Computation of Magnitude or Intensity of Poverty Situation

Sen's poverty index is used to compute the intensity of poverty. The theoretical rational is that if the value of index approaches to zero, it

implies that there is low intensity of poverty and if it approaches to one there is high degree of intensity of poverty.

The poverty index can be calculated in two ways as shown below:

Computation of Sen's index with considering Gini-coefficient, for this we use following formula:

$$P^* = \frac{C}{C * P} [C * P - CP(1 - GP)]$$

Computations of Sen's index without considering the Gini-coefficient, for this the following formula is used:

$$P^* = \frac{X}{C * P} [C * P - CP]$$

Where,

- $p^*$  = Poverty index
- $X$  = Percentage of population below poverty line
- $C * P$  = Poverty line
- $CP$  = Mean income of the poor
- $GP$  = Gini coefficient of the poor

### **3.7 Calculation of the Extent of Income Inequality and Distribution of Income Among the Sampled Households**

Various statistical tools are used to calculate the extent of income equalities, for this it will use Gini-coefficient, Lorenz curve, correlation and range. Their theoretical background is as follows:

#### **3.7.1 Gini Coefficient**

Gini coefficient calculates the inequality in income distribution. It can be found out with the help of following formula:

$$G = \frac{2}{N^2 Y} (Y_1 + 2Y_2 + \dots + NY_n) - \frac{1}{N} - 1$$

Where,

- $G$  = Gini coefficient ( $0 < G < 1$ )
- $N$  = Number of income receiving units.

$Y$  = mean income

$Y_i$  = Percentage of income receiving each income receiving unit.

The value of  $G$  remains always between 0 and 1. If it approaches to one, that means there is greater extent of inequality and if it approaches to zero, there is lesser extent of inequality in the distribution of income. When the value of  $G$  is zero, it means perfect equality.

### 3.7.2 Lorenz Curve

This is the graphical method to measure the extent of inequality in the income distribution. It shows the difference between equal distribution and actual distribution of income in the related area. So far the area between actual and equal distribution lines increase, the inequality in the distribution of income also increases and vice versa. If both lines coincide each other, that means, it is perfectly equality.

### 3.7.3 Correlation

Income and expenditure are highly correlated phenomena between each other. So, to calculate correlation between these two factors, the following formula has been used:

$$r = \frac{N\sum C_i Y_i - \sum C_i Y_i}{\sqrt{N\sum C_i^2 - (\sum C_i)^2} \sqrt{N\sum Y_i^2 - (\sum Y_i)^2}}$$

Where,

$r$  = Correlation coefficient

$C_j$  = Consumption expenditure of  $i^{\text{th}}$  household

$Y_i$  = Income of  $i^{\text{th}}$  household

$N$  = No. of observations

The value of  $r$  remains from -1 to +1. If the correlation value is negative, it implies inverse relation between the variables and if it is positive, it implies direct relationship between them.

### 3.7.4 Range

It is defined as the ratio of the difference between highest and lowest income level and the mean income level.

$$E = \frac{MaxY - MinY}{Y} (\because O < E < n)$$

Where,

$O < E < n$

Where,

E = Range

Max Y = Maximum income

Min Y = Minimum income

Y = Mean income

As the value of E tends to zero, it implies that there is equality in the distribution of income and vice-versa.

## 3.8 Description of Variables

### 3.8.1 Total Household Income

It is the income that is earned by family members from: various sources of income. In this research, the sum of total income includes income from agriculture, income from livestock, total income from business and salary, total income from wage labor, total income from borrowing.

Total net income is derived by subtracting the expenditure made or cost involved from the total income by the item.

### 3.8.2 Total Household Consumption

This is the total sum of expenditure on food items and non-food items, which made by the households in a year to fulfill their requirements.

### **3.8.3 Households**

It is defined as an economic unit mostly private and non-institutional where two or more members live, earns income and consumption together.

### **3.8.4 Earner**

They are economically active members between the age of 10-59 years who are engaged in both agricultural and non-agricultural sectors.

## CHAPTER FOUR

### INTRODUCTION OF THE STUDY AREA

#### 4.1 Introduction

Rupandehi, one of the accessible districts among six district of Lumbini zone has 86 Village Development Committees. Madhawaliya VDC is the southern part of this district, which lies completely on Tarai region. The study area of this dissertation, Madhawaliya VDC is surrounded by Gangauliya VDC in the east, Tikuligarh VDC in the west, Karahiya VDC in the north and Hatifarsatikar and Padsari in the south. The neighbor country India is just ten Kilometers far from this very VDC.

According to the topographical feature, the VDC has located on the altitude of 100 m - 300 m from sea level. The VDC is situated in 27° 20' to 27° 45' latitude and 83° 10' to 83° 30' longitude. According to the report of 2001 Census, 828 households were dwelling there. Among 5380 population of this VDC, 2679 are male and 2701 are female. The following table will present the ward wise and sex wise distribution of population.

**Table 4.1**

**Number of Household and Population by Sex and Wards**

Ward No.	Total HHs	Total Population	Male	Female
1	181	1219	626	593
2	36	210	105	105
3	68	414	192	222
4	164	1005	490	515
5	81	571	294	277
6	36	287	153	134
7	127	775	372	403
8	50	571	289	282
9	55	328	158	170
Total	828	5380	2679	2701

Source: CBS, 2001.

Most of the people of this study area are engaged in agriculture; only a few people are in other sectors, like service, labor work, business etc. The major agricultural products of this VDC are paddy, wheat, pulse, sugar can, maize, oil seeds and vegetable. The developed seeds, new tools and techniques are just going to be commenced but till present time the production is very low due to the traditional method of agriculture.

This study area has been facilitated with two high schools, a +2 college in which one is private high school, the lower secondary school and three primary schools that are running by HMG. One +2 college, one high school and two primary schools are running by private sectors. In other facilities, we find one post office, a health center, a vatenary hospital and a weekly local market.

Brahman, Tharu and Newar are the major inhabitants of this very VDC.

#### 4.2 Demographic Characteristics

The population distribution Tharu by age groups and sex is presented in table 4.2.

**Table 4.2**  
**Distribution of Sample Population by Age and Sex**

Age group	Population		Total population	Percent
	Male	Female		
Below 10	35	36	71	24.32
10-59	99	99	198	67.80
60 above	13	10	23	7.88
Total	147	145	292	100.00
Percent	50.34	49.66	100	—

Source: Field Survey, 2006.

The above table depicts that the population of female is 49.66 percent while male population is 50.34 percent. In general, female are

less active than males in the income generating field and in the sampled survey female are more than males. The population in age group 10-59 is economically active population, which is estimated as 67.80 percent, higher than the national average (43.43). Apart from this rest 32.20 percent that is below 10 years and over 60 years of age are regarded as dependent population.

The average family size of 5.84 member is lower than the average member of 6.16 for rural households, which is reported by MPHBS (NRB - 1988). The lower family size is the consequence of the tendency of early separation from their family after marriage.

### 4.3 Educational Status

Tharu tribe is very backward in the field of education. Most of the younger males wish to join in army force, so they can't complete their high school education. In the course of higher education, the students have to reach Bhairahawa town to achieve campus level education. The following table shows the educational status of sample population.

**Table 4.3**  
**Educational Status of Sample Population**

Status	Male	Female	Total	Percentage of Male	Percent of Female	Total Percent
Illiterate	67	75	142	45.27	52.08	48.63
Literate	70	62	132	47.30	43.06	45.21
Educated	11	7	18	7.43	4.86	6.16
Total	148	144	292	100.0	100.0	100.0
Percentage	50.68	49.32	100			

Source: Field Survey, 2006



The above table classifies that 45.27 percent males, 52.08 percent females and in total 48.63 percent population is illiterate. Whereas 47.30 percent males, 43.06 females and in total 45.21 percent population are literate. Only 7.43 percent males, 4.86 percent females and in total 6.16 percent population are educated. Among such educated population, 2 persons are Master Degree holders and 3 persons are intermediate passed. In previous years due to the lack of awareness most of females neglected to join school but nowadays because of educational awareness most of the children are inspired to achieve school education.

#### **4.4 Occupational Structure of Total Households**

Tharu are found to be dependent on agriculture. In the present time very few number of peoples are engaged fully in service and wage (labor). Upon studying and analyzing, it has been found that Tharu people are very straightforward and rigid in nature so they can't make their profession, business and trade. The following table gives the information of occupation of Tharu.

**Table 4.4**  
**Occupational Structure of Total Households**

Major Occupation	Households	Percent
Agriculture	45	90
Non-agriculture	5	10
Total	50	100

Source: Field Survey, 2006.

With the help of above-mentioned table, it is clear that 90 percent of households' occupation is agriculture whereas only 10 percent households are depended in non-agriculture sectors, such as labor, services and other small business.

The paddy is the main crop in this region. It is planted in Ashad-Shrawan and harvested at Aswin-Kartik. The structure of land is very

attractive and irrigation system is also satisfactory. Ground water project and canals are the sources of irrigation but the paddy is produced only once in a year. The production of Dal (Pulse) and oil seed are also satisfactory but the maize and other crops production have decreased to low local price, excessive labor burden and operating cost, the production of green vegetable and fruits are very low in this VDC.

#### **4.5 Land Holding**

It has been already mentioned about that the land of the study area can be classified as irrigated and non-irrigated land. The marginal farmers are more than the others so the production is not so satisfactory. The land description of study area has been presented in the table below.

**Table 4.5**  
**Distribution of Sampled Households According to Size of Own-land Holding by Farm Group**

Size of landholding (In Bigha)	No of HHs	Total land	Average land	Percent
Marginal (up to 0.5 Bigha)	18	4.95	0.27	12.10
Small (0.5- 1.0 Bigha)	13	8.05	0.61	19.68
Medium (1.0-1. 5 Bigha)	9	9.90	1.10	24.21
Large (above 1.5 Bigha)	10	18.00	1.8	44.01
Total	50	40.90	—	100.0

Source: Field Survey, 2006.

The above table shows the distribution of land holding among different farm groups i.e. marginal, small, medium and large. Among total sample households, marginal farm group owns 12.10 percent of the total area of land. Small farm group covers 19.68 percent of total land; medium group owns 24.21 percent and 44.01 percent of total land is occupied by large farm group. In average own land holdins sizes are 0.27,

0.61, 1.10, 1.8 Bigha of marginal, small, medium and large farm group respectively. The data demonstrates that average own land holding of large group is higher than the other.

The Table number 4.6 shows the size of contract land holding by the various farm groups.

**Table 4.6**  
**Distribution of Sampled Households According to Size of Contract-Land Holding by Farm Group**

Size of landholding (In Bigha)	No of .HHs	Total land	Average land	Percent
Marginal (up to 0.5 Bigha)	1	0.40	0.40	1.14
Small (0.5-1.0 Bigha)	5	2.75	0.55	7.82
Medium (1.0-1.5 Bigha)	13	14.50	1.11	41.25
Large (above 1.5 Bigha)	9	17.50	1.94	49.79
Total	28	35.15	-	100.00

Source: Field Survey, 2006

The above table has shown the distribution of contract land holding by the various farm groups. Only 28 households are engaged with contract land holding and from them marginal farm group contracts, 1.14 percent of the total land. Small group, medium and large farm group contract 7.82, 41.25 and 49.79 percent of total contract land respectively. The table demonstrates that generally most of the households are engaged in more than 1 Bigha (20 Kattha) for the contract.

The following table shows the size of land holding by the family size.

**Table 4.7****Size of Land Holding by Family Size**

Family size	Average family No.	No. of HHs	Area of land (in Bigha)			Percent of total	Average of own land	Average size of contract land	Average size of total land
			Own	Contract	Total				
1-4	2.5	6	3.30	2.00	5.30	6.97	0.55	0.33	0.88
4-8	6.0	34	28.75	18.15	46.90	61.67	0.85	0.53	1.38
8 above	11.5	10	8.85	15.00	23.85	31.36	0.88	1.50	2.38
Total	-	50	40.90	35.15	76.05	100.0	0.82	0.70	1.52

Source: Field Survey, 2006.

The above table shows that average size of land holding is 1.52 Bigha of the total sample household. Up to 4 members of small family, average size of land holding is 0.88 Bigha. Average size of land holding of medium family (up to 8 members) is 1.38 Bigha and 2.38 Bigha is average land holding of large family (above 8 members). The percentage of average size of own land holding is more than average size of contract land holding.

#### **4.6 Source of Income**

Nepal is a country of villages and rural areas. The main source of income is agriculture. In rural areas, agricultural sector consists farming and livestock; whereas non-agriculture sectors such as labor service, business, cottage industry and trade. Thus, in this sector, the present study is concentrated on the different sources of income of tharu community as shown below.

**Table 4.8**  
**Source of Income of Total Households**

Source	Total income (NRs)	Percent
Agriculture	1124770	58.91
Livestock	145990	7.65
Services	298400	15.63
Wages (labor)	266900	13.98
Borrowing	73250	3.83
Total	1909310	100.00

Source: Field Survey, 2006

#### **4.6.1 Income From Crops**

More than 90 percent population is depended on agriculture sector but its participation in source of income is not so satisfactory. The main products of agriculture are paddy, wheat, pulses and oil seeds. Source of income from agriculture sector is 58.91 percent.

#### **4.6.2 Income From Livestock**

The role of livestock as a source of income in this community is quite negligible. In the agricultural country like ours, livestock should also be a main source of income, however, the total income of livestock in this community is only 7.65 percent. They keep nothing except some, pigs and goats as livestock. In this regard, they don't keep oxen to plough and cows and buffaloes for milk because they are nuisance to feed and look after:

#### **4.6.3 Income From Labor (Wages)**

It has already been stated that the main occupation of 10 percent of households is non-agricultural sector. In main source for income, labor is also based on agriculture. The farmers are engaged only 90-100 days in agriculture and during the rest of the year they use to go to factory or elsewhere to generate income from hard labor.

#### **4.6.4 Income From Service**

The Tharu community is backward in the filed of education, so only few are engaged in service sector. Most of them are joined in army

force. 15.63 percent income is generated from service sector in their total income.

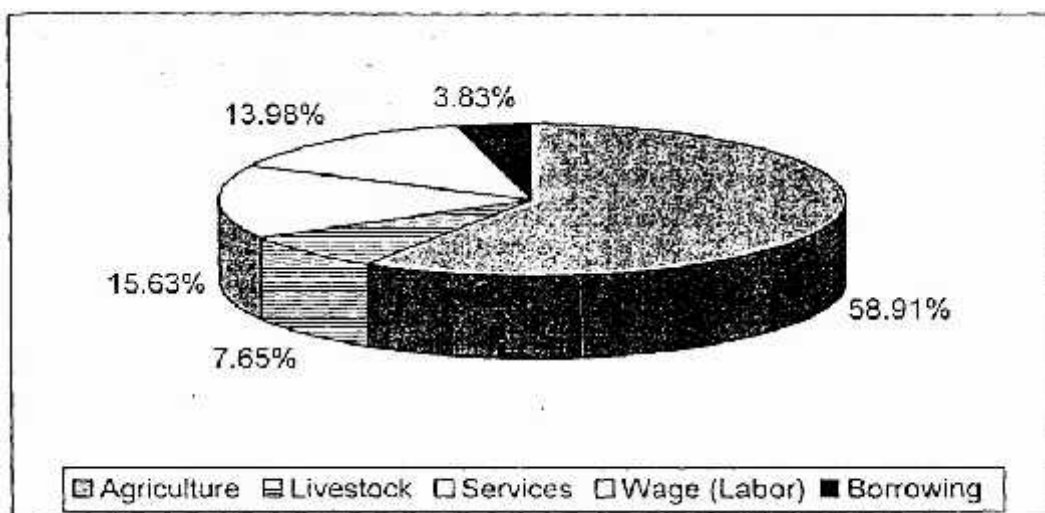
#### 4.6.5 Borrowing Behavior

In my study area, there is one branch of Rastriya Banijya Bank but due to the official paper process, the Tharu are indifferent towards Banks. They take loan from their neighbors, relatives and landlords. Tharu is such an ethnic community who drink alcohol, often take meat in very large scale, and expend much money in festivals and feast. The above table has been shown the amount of loan Rs. 73,250 taken from the bank and other private sectors which is only 3.83 percent of the total income.

#### 4.6.6 Distribution of Income or Pie-chart by Different Sources

The distribution of income is presented on pie-chart. The pie chart represents 100 percent (360°) of income of which 58.91 percent of income received from agriculture, 7.65 percent from livestock, 15.63 percent from services, 13.98 percent from wage (labor) and 3.83 percent from borrowing.

**Figure 4.1**  
**Source of Income of Total Households on Pie-Chart**



## **CHAPTER FIVE**

### **ANALYSIS OF POVERTY AND ITS EXTENT**

#### **5.1 Estimation of Poverty Line**

The main concentration of this analysis is based on the two types of estimated poverty line, (i) Relative poverty line and (ii) Total poverty line. The indication of absolute poverty line refers to the level of income which is required for the basic need or only for the survival whose income is below the poverty line. Keynesian notion of wolf-point technique is applied to draw the total poverty line. The person whose income is below than total poverty line and above the absolute poverty line is considered relative poor.

#### **5.2 Absolute Poverty Line and Absolute Poor**

As regard to absolute poverty in the third world, is primarily based on the rural phenomenon where majority of the people are in struggle for surviving so as to meet the minimum subsistence level.

The minimum consumption level of 2124 calories shown by NPC (NPC, 1997) has traced out the better condition of Nepal in comparison to other south Asian countries like, Bangladesh and India but worse, than that of Pakistan and Srilanka. The World Development Indicator (WB, 1997) has estimated 53 percent Nepalese people lying under the 'International Poverty Line' whose per day, per capita income is less than US \$ 1.

Tenth Plan' has estimated 2124 minimum calories required in national level. In this very study the research centers its consideration upon per day's minimum calories requirement. However, this analysis is based on 2256, for the simplicity due to the inadequate information about cereals and pulse items for analyzing 2124 calories.

NPC's estimation of different absolute poverty line in different regions has assumed that in "Poverty Bundle" of goods and services

expenditure on food items cover only 65 percent of total consumption expenditure, whereas 35 percent of expenditure is made on non-food items.

The poverty line drawn by NPC has already been mentioned which hinders in taking various items of cereals and pulses. In this connection, only those cereals and pulses items which are commonly taken for the analytical study. Thus, in this study area, the 6 items of cereals and 4 items of pulses are considered and calculated with the evaluating of local market price. The evaluated local market price of 605 gm of cereal and 60 gm of pulses is altogether NRs. 10.725 (See Annex - 1). Analyzing the food items, this very research has considered expenditure on different varieties of rice, beaten rice, wheat, maize and pulses.

According to NPC, through the expenditure in food items covers only 65 percent of the total expenditure and rest 35 percent in non-food items. In this study area, average daily consumption on food items is Rs. 10.725.

Non-food items are found to be Rs. 5.775. Regarding the nonfood items, the present study has considered expenditure on clothing, footwear, education, health and personal care etc. Summing up the expenditure on food and non-food items, we can arrive at the absolute poverty line. So, sum of Rs. 10.725 and Rs. 5.775 indicates the absolute poverty line for this study area. So what is concluded that the absolute poverty line income per capita per day for the study area is Rs. 16.5, which is just for bare subsistence. With the help of several studies, various results have been focused by researchers in the following table.



**Table 5.1**  
**Absolute Poverty Lines in Different Studies**

S.No.	Study Area	Average daily value of 2256 calories (605 gms of cereals and 60 gms pulses)	Lowest average daily consumption on non-food items	Absolute poverty line
1.	Rural Nepal	1.32	0.70	2.02
2.	Bhaktapur	4.36	1.00	5.36
3.	Purna Jhanga Jholi (Sinduli)	6.38	8.43	9.81
4.	Siddhi (Chitwan)	6.73	3.62	10.35
5.	Keraun (Morang)	13.59	7.32	20.91
6.	Madhawaliya (Rupandehi)	10.725	5.775	16.5

Source:

- NPC, "A Survey of Employment, Income, Distribution and Consumption Pattern in Nepal", 1978.
- S.R. Bhandari, "A Case Study of Bhaktapur District", 1998.
- J.P. Aryal, "Poverty in Rural Nepal" A case study of Sindhuli district, 1994.
- Meera Ghale, "Poverty in Chapang" 1997.
- Manoj Adhikari. "The extension of poverty on Dhimal Community", 2000.
- Field Survey, 2006

With the help of above table, it is understood that the absolute poverty line in this study is estimated as lower than Keraun study. But higher than former four studies. This is mainly due to the increased inflation and the time lag.

### **5.3 Relative Poor and Relative Poverty Level**

The income level of households below the Wolf Point (total poverty line) is defined as relative poverty and above the absolute poverty line. Thus, to estimate relative poor, we compute firstly wolf point level

of income which is Just equal to expenditure. The wolf point is  $1/1-b$  in a linear Keynesian consumption function to find out the value of a and b in the wolf-point, we have to compute regression by using least square method. Here, if a households falls below this point, the households consumption expenditure exceeds income. Thus the present study found the wolf point to be Rs. 20.19 per capita per day (See Annex -3).

#### **5.4 The incidence and extent of the poverty**

Various results have been indicated by different research studies in regard to poverty. The study of NPC in 1978 on "Employment income distribution and consumption pattern in Nepal" in brief report vol. IV, Sep, 1987 has focused the population to be under absolute poverty line. The most striking result shown by Mira Ghale (poverty among chepang, 1996) is quite speculative. According to her data, 96.05 percent population of chepangs are below the absolute poverty line.

It is clear that in compare to urban area, rural area's people are for chained in the degree of poverty. And these effected populations are very high in ethnic group.

In this present research, altogether 50 households are included and among them, 20 households (40%) have been found absolutely below the poverty line whose per capita per clay income in Rs. 16.5. (See Annex-1)

In other words, in average calculation out of 292 population, 146 people have the income below Rs. 16.5 per capita per day. Thus 50 percent population is absolutely poor in the study area.

Considering Rs.,20.19 as the wolf point level of income and Rs. 16.5 as absolute poverty line, the present study shows that 13 households (26%) out of 50 sampled households are relatively poor. Relatively poor is estimated as less than wolf point level of income and greater than absolutely poor. In other words 59 people (20.2%) are relatively poor out of 292 populations.

In brief to aggregate the summation of absolutely poor and relatively poor or the income less than wolf point level of income i.e. 20.19 is known as total poor. As found in the study, 33 households (66%) are poor out of 50 households or 205 people (70.2%) are found to be poor out of 292 population. The following table depicts the total poor in the study area.

**Table 5.2**

**Distribution of Households According to the Living Standard**

Categories of living standard	Sample HHs	%	Total Pop <sup>n</sup>	%
Absolute poor HHs	20	40	146	50.0
Relatively poor HHs	13	26	59	20.2
Total poor HHs	33	66	205	70.2
Non-poor HHs	17	34	87	29.8
Total	50	100	292	100.0

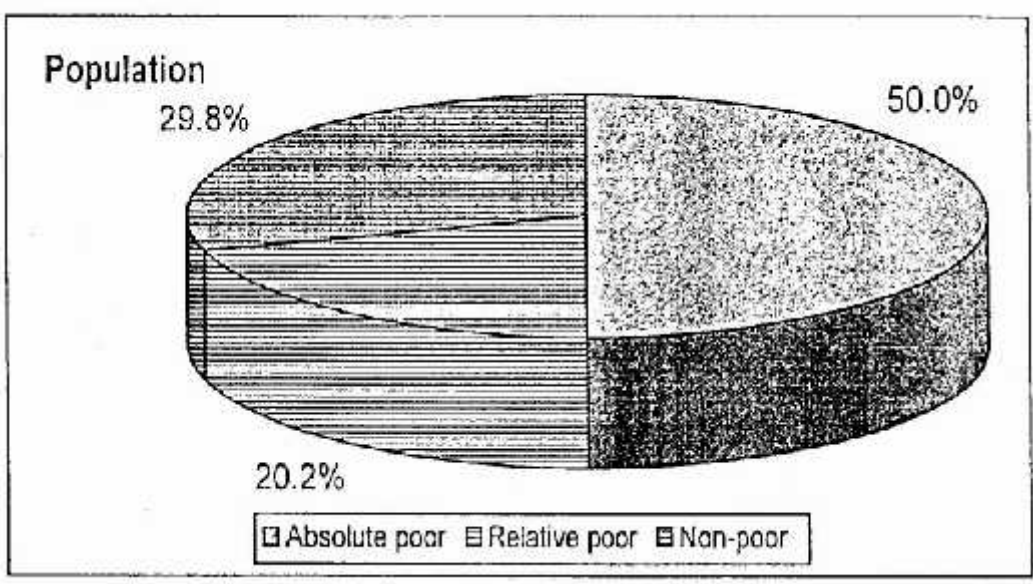
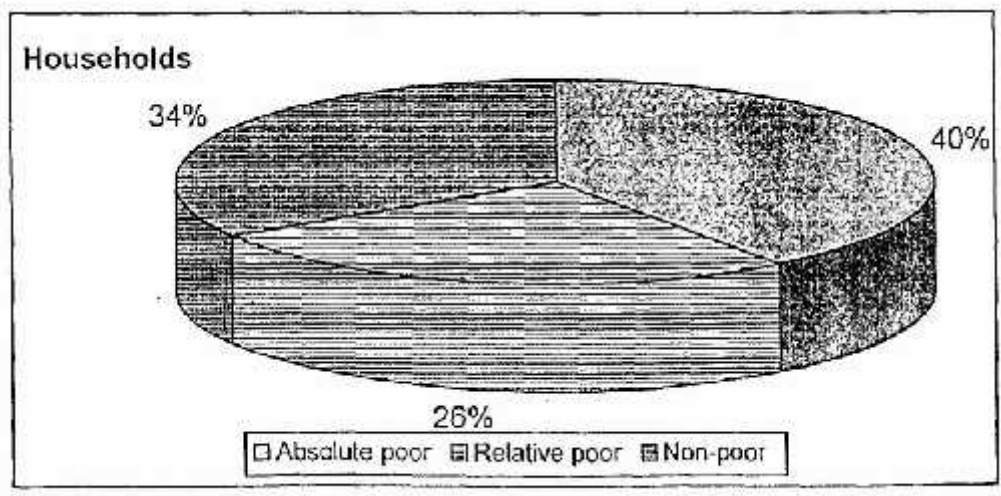
Source: Field Survey, 2006.

Above mentioned table depicts that 33 HHs are living in total poverty line or 205 peoples income is less than the total poverty line (wolf-point).

Thus, 70.2 percent population or 66 percent households are found to be total poor and 29.8 percent of population or 34 percent households are depicted to be non-poor in the field of study.

**Figure 5.1**

**Absolute poor, relative poor and non-poor in the study area**



The consequence of the present study can be compared to other different studies which are shown in the table given below.

**Table 5.3****Absolute Poor Households and Population**

S.No.	Study Area	Total No. of HHs	HHs of below poverty line		Total pop	Pop below poverty	
			HHs	%		Pop <sup>n</sup>	%
1.	Rural Nepal	2136168	860769	40.3	12445368	4505835	36.2
2	Bhakapur	51	24	47.06	339	139	41.0
3	Purna Jhanga Jholi	70	29	41.42	402	173	43.03
4	siddhi	50	47	94	405	389	96.05
5	Keraun	50	27	54	226	121	53.57
6	Madhawaliya	50	20	40	292	146	50.00

Source:

1. NPC, "A Survey of Employment, Income, Distribution and Consumption Pattern in Nepal", 1978.
2. S.R. Bhandari, "A Case Study of Bhaktapur District", 1998.
3. J.P. Aryal, "Poverty in Rural Nepal" A case study of Sindhuli district, 1994.
4. Meera Ghale, "Poverty in Chapang" 1997.
5. Manoj Adhikari, "The extension of poverty on Dhimal Community", 2000.
6. Field Survey, 2006

The percentage of absolute poor population in the present study is higher than the first three studies as well as national average estimated by the NPC. But it is lower than the last two studies Chepang and Dhimal.

### **5.5 Measurement of the Poverty and its Extent**

Sen's poverty index is calculated for measuring the incidence of poverty in the study area. It is based on ordinal welfare concept, which is derived in two ways i.e. considering with Gini-coefficient and without

considering Gini-coefficient. Gini-coefficient shows the extent of inequality that is taken as one of the major determinants of poverty.

### 5.6 Measurement of Income Inequality in the Study Area

It is already mentioned that 50 households are taken from the study site. In order to study the income distribution and inequality, the sample households of the study area are divided into ten income groups. Each group has 10 percent of total sample households. Income has been arranged in ascending order and each decile has 5 households. The first decile covers the low-income group and last decile consists the high-income households group. So the following table – 5.4 shows the picture of income distribution per capita per day into decile group

**Table 5.4**

#### **Per Capita Income Distribution by Decile Group**

% of HHs	Cumulative % of HHs	Pop. in Decile	%	Cumulative % of population	Per capita total daily income	% of income	Cumulative of income
10	10	45	15.41	15.41	51.89	5.40	5.40
10	20	28	9.59	25.00	62.51	6.51	11.91
10	30	43	14.73	39.73	69.28 ,	7.22	19.13
10	40	30	10.27	50.00	76.98	8.02	27.15
10	50	24	8.22	58.22	87.14	9.07	36.22
10	60	22	7.54	65.76	92.73	9.66	45.88
10	70	26	8.90	74.66	101.38	10.56	56.44
10	80	26	8.90	83.56	112.98	11.76	68.20
10	90	29	9.93	93.49	134.74	14.03	82.23
10	100	19	6.51	100.00	170.67	17.77	100.00
Total		292	100.0		960.3	100.00	

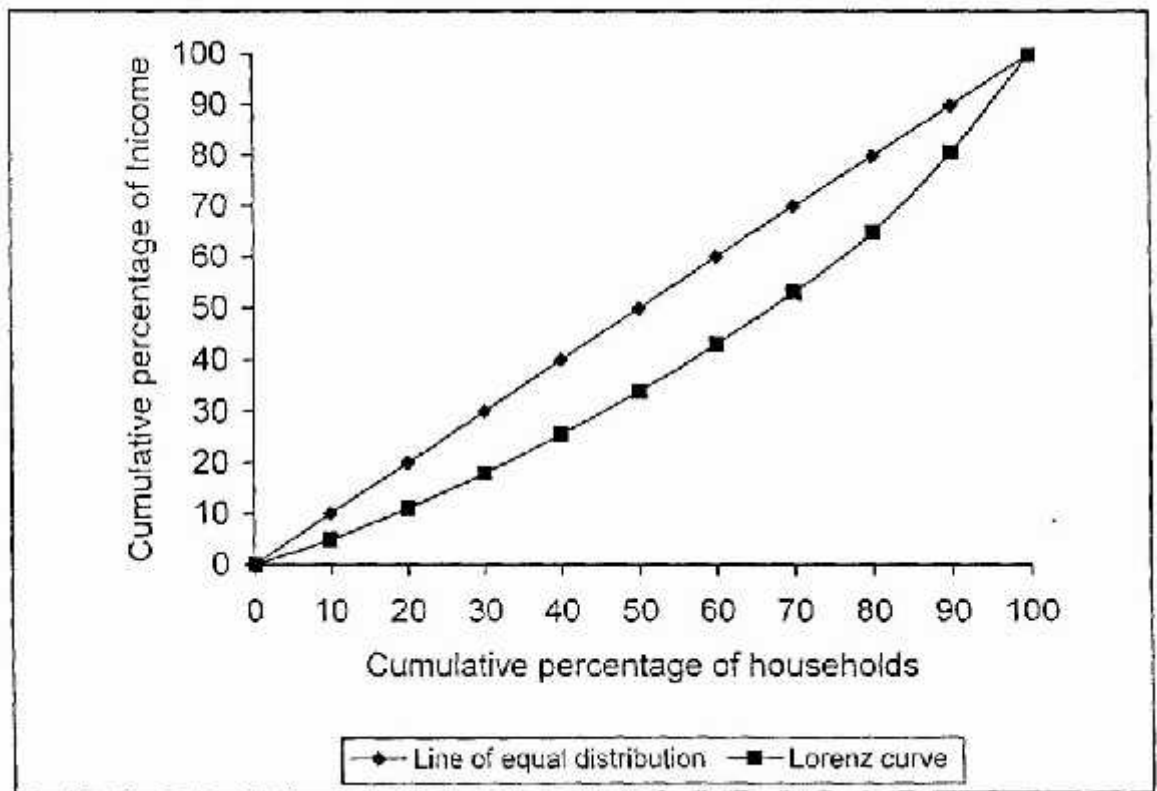
Source: Field Survey, 2006.

The above table shows that the income is not distributed equally among the different decile groups. Lowest 10 percent of households receive 5.40 percent of total per capita daily income where as the highest 10 percent households receive 17.77 percent. Similarly, the lowest 50 percent households receive 36.22 percent of total per capita daily income where as the richest 50 percent households receive rest 63.78 percent of total per capita noisily income. So, it is clear that there is inequality in income distribution among the sampled households.

The inequality in income distribution can be represented graphically in the form of Lorenz curve. By the help of data, the Lorenz curve can be drawn whereas actual distribution line and equal distribution lines are plotted.

Equal distribution line is 45 lines that represents the equality. If the actual line is coincide with the equal distribution line that means there is no income inequality or zero percent income inequality and vice versa. The Lorenz curve shows the different between actual distribution line and equal distribution line which is called the 'Area of concentration'. The basic notion is that, the greater is the area of concentration the larger is the magnitude of income inequality and vice versa. So the table 5.4 can be shown in Lorenz curve as below in figure 5.2. The vertical axis measures the cumulative percentage of income. The 45-degree line represents the perfect equality line.

**Figure 5.2: Income Distribution Among Sample Households**



From the above graph, it is clear that there is existence of income inequality in study area. To measure the extent of inequality, we have to know the area of concentration. Thus, to find the value of the area of concentration or extent of inequality, we compute Gini-coefficient ratio considering per-capita per-day income the value of Gini-coefficient ratio is 0.19 (See Annex 4). This value explain that extent of income inequality among sample households is low.



## 5.6.1 Income Distribution Among Absolute Poor

Table 5.5

### Income Distribution Among Absolute Poor

Per capita per day income group	Number of HHs (A)	Number of Pop <sup>n</sup>	% of absolute poor Pop <sup>n</sup>	Per capita income per day (B)	Per capita mean income per day (B/A)	% share of the total absolute poor	% of share from income of sample HHs
9-11	3	34	23.29	29.49	9.83	11.31	3.07
11-13	6	32	21.92	71.83	11.97	27.56	7.48
13-15	7	53	36.30	97.35	13.91	37.35	10.14
15-16	4	27	18.49	61.99	15.50	23.78	6.46
	20	146	100	260.66	13.03	100	27.15

Source: Field Survey, 2006

Table 5.5 shows that the absolute poor population and households are divided into four income groups. The first group covers those people whose per-capita per-day income ranges from 9 to 11. Similarly, the final group consist the per-capita daily income above Rs. 15. The minimum subsistence level of income is 15.64. Thus, it is clear from the table that there is significant different in the distribution of income.

In the study area there are 20 absolute poor households and among them we classified four groups. Each group have 3, 6, 7 and 4 households respectively and 23.29, 21.92, 36.30 and 18.49 percent population are absolute poor. And each group has 9.83, 11.97, 13.91 and 15.50 per-capita per-day mean incomes respectively. From this analysis, it is clear that lowest income group among the absolute poor is 11.31 percent of absolute poor's total income, whereas highest income group among the absolutely poor's total income is 23.78 percent. So, it shows that the extent of inequality is also prevailing even among these groups.

If we analyze the percentage of income secures from total income of all sampled households, it seems only 3.07, 7.48, 10.14 and 6.46 percent respectively.

This shows that there is existence of equal income distribution among the poor households. The value of Gini-coefficient is found to be 0.08 (See Annex -5).

The Gini-coefficient ratios among the absolute poor households in different studies are shown in the table given below.

**Table 5.6**  
**Gini-coefficient Ratios of the Absolute Poor**

S.N.	Studies	Gini-coefficient ratio
1	Panchthar	0.00412
2	Sindhuli (Purana Jhange Jholi)	0.1837
3	Siddhi	0.15
4	Keraun	0.07
5	Madhawaliya	0.08

Source:

1. K.K. Dahal & M.K. Shrestha, "Rural Poverty in Nepal" 1987.
2. J.P. Aryal. "Poverty in Rural Nepal" A case study of Sindhuli district, 1994.
3. Meera Ghale, "Poverty in Chapang" 1997.
4. Manoj Adhikari, "The extension of poverty on Dhimal Community", 2000.
5. Field Survey, 2006

The above table shows the absolute income inequality in the study area is higher than in Panchthar and Keraun but less than in Purana Jhange Jholi and Siddhi VDC.

### **5.7 Sen's Poverty Index**

It has classified in two ways i.e. considering the income inequality and without considering income inequality. About the question "How poor are the poor" this index based on ordinal welfare concept has been used. By following above both methods, Sen's poverty index is derived (See Annex - 8) and presented in the table below.

**Table 5.7**  
**Sen's Poverty Index**

Poverty index	With considering inequality	Without considering inequality
P*	0.29	0.105

Source: Field Survey, 2006

Sen's poverty index without considering inequality is less than with considering inequality (i.e.  $0.105 < 0.29$ ). 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.

Table 5.8 shows the comparative values of the poverty index of various studies.

**Table 5.8**  
**Comparative Values of the Poverty Index**

S.N.	Study area	P* with considering inequality	P* without considering inequality
1	Panchthar	0.2883	0.2367
2	Sindhuli	0.1962	0.1436
3	Siddhi	0.50	0.42
4	Keraun	0.12	0.09
5	Madhawaliya	0.29	0.105

Source:

1. K.K. Dahal & M.K. Shrestha, "Rural Poverty in Nepal" 1987.
2. J.P. Aryal, "Poverty in Rural Nepal" A case study of Sindhuli district, 1994.
3. Meera Ghale, "Poverty in Chapang" 1997.
4. Manoj Adhikari, "The extension of poverty on Dhimal Community", 2000.
5. Field Survey, 2006

The value of P\* for Madhawaliya is less than of Siddhi and Panchther but greater than in rest two studies. It shows that the poverty problem in this study area is more intense than former two studies.

## 5.8 Statistical Measurement of Standard of Living

According to the field survey, 50 households can be classified in two categories i.e., poor group and non-poor group on the basis of per-capita daily income. The following table explains about it.

**Table 5.9**  
**Difference in Mean Income Among Total Households and Absolute Poor Households**

	Mean income	% of HHs below mean income	% of HHs earning at or above the mean income
Poor	13.03	45	55
Non-poor	23.32	60	40
	19.21	60.00	40.00

Source: Field Survey, 2006.

The study has focused that 20 households or 40 percent of households are poor and the rest are non-poor. In other words, among 292 populations, 146 people (50%) live below poverty line.

If we calculate the mean income of the total sampled households on the basis of per capita daily income, it is found to be Rs. 19.21. It shows that there are 30 households or 60 percent households earn less than the average. Similarly, if we calculate the mean income of absolute poor households, it is calculated to be Rs.13.03. From this, out of 20 absolute poor households, 9 households earn less than their average income per-capita per day. Thus, 45 percent of absolute poor households earn less than the average.

The above table shows the average per-capita daily income of non-poor households is Rs. 23.32 so out of 30 households, 18 households (60%) earn below the average

## 5.9 Regression of Consumption on Income of the Study Area

Table 5.10

### Regression of Consumption on Income

N	a	b	R <sup>2</sup>	F
50	4.078	0.798 (13.849)* [0.055]	0.800	191.784

Source: Field Survey, 2006

Note:  $C_i$ ,  $Y_i$  denote the total consumption and total income of the households respectively.

\* N, R<sup>2</sup> and F designate the no. of observations coefficient of determination and F value respectively.

\* Asterisk sign (\*) denote the significance of coefficient at 1 percent level of significance.

\* Value in () and [] represent values of t-statistic and standard error of regression coefficient respectively.

To test the validity of the assumption about regression coefficient, t-test is used. For the purpose of this empirical study t-value have been compared with tabulated t-value of 1 percent level of significance, for given degree of freedom.

Regression equation of consumption on income is,

$$C_i = a + bY_i$$

This table suggests that the regression estimate is statistically significant. This implies that the level of income determines the value of consumption, the autonomous consumption being Rs. 4.078 and the induced consumption being 79.8 percent of the actual income. The adjusted value of the coefficient of determination and the values of the variances of the parameters also support the same things.

## **CHAPTER SIX**

### **POVERTY PROBLEM AND ITS NATURE**

#### **6.1 Introduction**

Poverty is one of the major obstacles in the path of development. It is of multi-dimensional in nature and it is a multi-sectoral concerned subject. To elevate the poverty, first of all, we should study the nature of poverty. As I have already mentioned that one of the objective of this study is to determine the nature of poverty problem in the study area. About the definition of poverty, many researchers and economists have presented their different views. Some of them are stated that poverty is main concerned with agriculture i.e. small size of land holding, income level, family population and educational level etc. Size of land is most important source of rural income and status in rural area, hence it is main concern of poverty problem. In the rural part of Nepal, the distribution of land is highly unequal. Family size is also major factor for poverty problem. The illiterate guardians think that big size of family is helpful for the field work. Actually, to maintain the huge family size, the existing source of income is not adequate and the family sinks in poverty.

The poverty problem has a strong correlation with the socio-economic structure. The nature of poverty and its relation with other variables such as income, unemployment, education etc. are taken into consideration in present section. Thus we analyze the relationships of poverty problem to other economic factors.

#### **6.2 Family Size and the Poor**

Family size is one of the major factor of sources of income and it is also caused by poverty.. The following present table demonstrates the family size and income Level of the poor people of study area.

**Table 6.1**

**Family Size and Mean Per Capita Income of Absolute Poor**

Family size	No. of HHs	No. of pop <sup>n</sup>	Total per capita -daily income (NRs.)	Total per capita daily consumption (NRs.)	Mean per capita income (NRs.)	Mean per capita consumption (NRs.)
1-5	8	34	107.15	117.38	3.15	3.45
6-10	9	74	119.3	131.21	1.61	1.77
11 above	3	38	34.21	30.99	0.90	0.82
Total	20	146	260.66	279.58	13.03	-

Source: Field Survey, 2006.

The above table represents the family size and income level of absolute poor people. It shows that there is inverse relationship between family size and the income per capita income. When the family size increases, the level of Income goes down gradually because in large family inactive people i.e. children and old are also included in large scale. The rural people are illiterate and unknown about the family planning, so they reproduce large number of children and they think that this is the gift of god and the unseen almighty god will solve the problem of over children. So, large number of old persons and children in large families are economically inactive above and hence do not contribute the family's income. The consumption pattern is also clear that mean per capita consumption is comparatively low in large family size. So, it gives a conclusion that the small family faces less poverty problem than the large family.

**6.3 Education Level of the Poor**

In the modern age of globalization, education is the principal factor to change the socio-economic status of mankind. In our study area most of the heads of households are illiterate. Now-a-days children are encouraged for going school because the main backbone of development

is the education. The following table represents the education level of poor people of the study area.

**Table 6.2**  
**Education Level of Household Heads and Mean Per Capita Daily Income**

Level of education	No. of absolute poor HHs heads	% of poor HHs	Pop <sup>n</sup>	Average family size	Total per capita daily income (NRs.)	Mean per capita daily income (NRs)
1-5	13	65	77	5.92	145.26	11.17
6-10	5	25	63	12.6	67.71	13.54
1 1 above	2	10	6	3.0	47.69	23.84
Total	20	100			260.66	

Source: Field Survey, 2006

The above data show that education level of household heads. It is demonstrated that 77 percent of households heads are illiterate among the absolute poor, and their mean per capita daily income is only Rs. 11.17 which is less than literate households mean per capita daily income i.e. Rs. 13.54. The mean per capita daily income (i.e. Rs. 23.84) of educated household heads is highest than the other illiterate and literate household heads.

#### **6.4 Land Holding and the Poor**

After the end of Rana Jahaniya government, various policies were used for the equal distribution of land i.e. 'Birta unmulan', 'Guthi unmulan and 'Raikar unmulan' etc. but still there is highly unequal distribution of land holdings. In underdeveloped countries like Nepal, the size land holdings plays vital role for generating income and maintain social status. The table 6.3 shows the size of land holdings of the absolute poor.



**Table 6.3**

**Land Holdings and the Mean Per Capita Income**

Per capita land (Bigha)	No. of HHs	% of HHs	Total per capita daily income (NRs.)	Mean per capita daily income (NRs)
0-0.5	11	55	138.41	12.58
0.5-1.0	5	25	63.10	12.62
1.0-1.5	2	10	29.34	14.67
1.5-2.05	2	10	29.81	14.90

Source: Field Survey, 2006

In rural areas, the land is the symbol of richness. The above table shows that the households having 0 to 0.5 Bigha have lower mean per capita, income in comparisons to others. In small land size, the productivity of soil is also decreases. The households having 1.5 to 2.05 Kattha. have highest mean per capita income i.e. Rs. 14.90 in comparison of small land holding households. It concludes that the productivity of small land size is less than the big land size.

**6.5 Consumption Pattern and the Poor**

Our main concentration is consumption pattern of the poor people of Tharu community in the study area. Consumption is related with income level because when the income increases the consumption level also rises and when income goes down, the expenditure in consumption is also decreases to some extent. Thru community is one of the ethnic communities so they spend their large part of income in liquor, smoke and other unproductive items. According to their traditional rule, they spend more income in religious functions and festivals. So the consumption is divided into two parts i.e. food and non-food items, like clothing, smoking, liquor, health, education etc. The table 6.4 shows the annual consumption of poor sample households.

**Table 6.4**  
**Annual Consumption of the Poor**

Items	Annual consumption (NRs.)	% of consumption
Food	489440	67.86
Non-food	231840	32.14
Total	721280	100

Source: Field Survey, 2006.

Among the absolute poor households 67.86 percent of the total expenditure is spent on food items and rest 32.14 percent is in non-food items. In non-food items, clothing, entertainment, drinking, healthcare, education etc. Education is also included in nonfood items; therefore, the study shows that their expenditure in education is very low.

"The poor is because of poor" is very famous quotation in the field of poverty. The chain of illiteracy, hunger and disease etc. ties up poor people so they become poorer.

## CHAPTER SEVEN

### MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

#### 7.1 Major Findings

1. For the study area, Rs. 16.5 per capita per day has been drawn as the absolute poverty line based on this, it is estimated that 40 percent of households or 50 percent population are absolute poor.
2. For the study area, Rs. 20.19 per capita per day has been drawn as the total poverty line. Thus, it is estimated that 66 percent households or 70.21 percent people are poor.
3. It is also found that 26 percent of households or 20.21 percent people are relatively poor.
4. In the total sample population, the percentage of male population - (50.68%) is slightly more than female population.
5. The economically active population's percentage is 67.80, which is higher than the national average (43.43%).
6. This study has found 45.21 percent literate in sample population.
7. Agriculture is the main occupation in the study area, out of total sample households 90 percent of households are engaged in agriculture sector and rest are in other sectors.
8. The Gini-coefficient among total sample households is found to be 0.19 and 0.08 among absolute poor. This shows that there is existence of income inequality among sample households but income equality among absolute poor households. The value of range is 1.58 among sample households.
9. As the income relation of the absolute poor households is taken, it is found that their marginal propensity to consume is very high i.e. 0.798.

10. The value of Sen's index considering Gini-coefficient is 0.29 and without considering Gini-coefficient is 0.105. From both cases, it is clear that extent of poverty is high. II.
11. The mean income of the total sampled household is found to be Rs.19.21 whereas Rs. 13.03 of the poor households.
12. The values of 'a' and 'b' i.e. autonomous consumption and marginal propensity to consume of sample households are found to be as 4.078 and 0.798 respectively.

## **7.2 Conclusions**

Most of the Nepalese poor, 90 percent (NSAC, NHDR, 1998) of total population live in rural areas where the poverty is found rural area comparison to urban poverty. In rural areas the poverty seems due to the small size of land holding, production for self consumption, lack of market facilities, lack of off-farm job and so on.

In conclusion, it can be stated that Tharu is one of the poorest tribes among the indigenous people of Nepal.

The average life of Tharu begins with the problem of survival and ends with the same. Majority of them inhabit far below the subsistence level and their level of poverty is not compared with that of other ethnic groups. So, my study states the real existence of Tharu in case of poverty. Although the government has launched several specific programs to reduce poverty but it is rather unsuccessful due to several factors due to lack of proper supervision, monitoring and evaluation.

Majority of Tharu and ethnic people live below the subsistence level 90 percent Tharu people are dependent on the agricultural sector. Most of the Tharus have their own land but due to several hindrances the productivity is not satisfactory and a few Tharus have their own land only for habitant.

Most of the young people are not interested to involve in income generating activities, they spend, most of their time in playing, singing and dancing for merry making.

Due to lack of government support, encouragement and employment, they have not been able to cope up with the time in the field of development.

Thus in the study area, there is the existence of problem of employment, literacy, nutrition, youth mobilization and so on.

From the study, it is clear that the Tharus have little land on account of inequality and size of distribution of land. Agriculture is main occupation so they are very poor and poor people are mostly illiterate because they have no sufficient income to spend on education. They are unemployed because insufficient land for farming and they cannot do outside works because they lack skill due to the lack of education.

### **7.3 Recommendations**

Among several ethnic people, Tharu is one of the largest populated ethnic people of Nepal. This tribe can be found in Tarai belt from east to west. They have own culture, religion and language. But it is a bitter reality that day by day they are becoming poorer and poorer. Thus some recommendations are given in this chapter, which might help to reduce the existing poverty to some extent and lead the way towards improvement.

- Agriculture' is the backbone of our country and Tharus are extremely dependent on this sector. Though, in my study area, livestock, poultry, vegetable farming are negligible but in order to increase income, they must be encouraged towards this sector and for that the reliable policies of Government are essentially

required. Tharus are spread all over the tarai region and 'land' is the major source for their income.

- The production seems to be quite insufficient due to undeveloped seeds, low quality fertilizer, Lack of hybrid seeds, inconvenient of irrigation and primitive method of farming. Moreover, the borrowing of loan, especially for farming, is unpracticable, because these people do not deal with bank or with any governmental financial sectors, rather person to person. So they are rapidly sinking in loan.

Thus, what is most needed: right policy from the side of Government for easy way of borrowing loan sufficiently and providing, developed seeds, technical education for scientific way of farming, high quality fertilizer, construction of canals and so on.

- Majority of Tharu population are still uneducated and illiterate. 'Education' opens our inner eyes towards awareness and conscience. So, to uplift this community from the level of poverty, there must be the opening of several schools where they inhabit thickly. To inspire this tribe's people, Government should run schools and colleges at free of cost, more the establishment of 'Different Kinds of Freeship' could open their eyes for education. These people are reluctant to go school and college due to lack of sound economic condition and awareness, that's why, it would be more better if NGOs and INGOs would have launched some striking programs particularly for Tharu tribe.
- In any country, or society, the most dangerous disease to stop prosperity and to welcome poverty is 'unemployment'. In the context of Nepal, though other tribes are also suffered by the problem of unemployment but more suffering tribe is Tharu. Due to lack of proper education, deprived with technical skill, this

tribe's people are almost unemployed. So, whatever they earn by selling labour and working in farm is sufficient to cross the poverty line. Thus, Government should launch some special programs as we have seen so called 'Basket Fund' in Maoist's affected areas. Moreover, the researcher would like to advise the Government for 'reservation' which means certain parts of job in percentage, for i.e., 20 percent job out of 100 percent securing for Tharu and other schedule caste people because in recent paralysis situation, so called educated Tharu, too finds quite impossible to stand with other high-castes in regards of holding any job. But later when these people will reach in well-qualification and educated position, this 'Reservation' can be decreased in the same ratio and can be phased out. The measurement of education and qualification should be work out by government.

- In reference to 'Health' it is the real wealth of any human-being. As others, certainly Tharus are also suffered from illness, so they spend most of their income in treatment but the way is different. Due to lack of education and awareness, having superstition mind, they do not go to hospital or consult doctor rather they consult with 'herbalist doctor' 'LAMA' 'Witch doctor', so as the consequent, instead of getting cured the health becomes worse and worse, as a result, patient dies. That's why unnecessary expenditure for unreliable treatment leads Tharu to sink in the sand of poverty. Therefore, not only Government sector but also other private sectors, NGOs, INGOs should help to open 'Health centers' in the villages.
- It is the saying, 'If you want to keep other people in discipline, you must be disciplined', so, merely waiting for other's help can not be result oriented, if the people of this tribe are not self conscious.

What researcher have studied and found that the causes of poverty in Tharu Tribe are : unproductive expenditures and carelessness in generating income. The social parts of life as, marriage, baptism, birth, funeral are certainly the subject of expenditure but how and which scale it is suitable; this must be analyzed and evaluated by each and every Tharu. To expend in a large scale achieve the prestige and a subject of proud is thought by almost every Tharu which is absolutely wrong in itself. So, the expenditure must be based on income, one should follow the statement, 'Swallow the bone, according to the size of the throat. That's why it is most inevitable to reduce expenditure in a showy and unusual work.

- In crux, what researcher would like to recommend for abolishment of poverty, in the context of Tharu tribe, that working and exercising individually is definitely less fruitful, so, at first Tharu people must have to be self-aware and conscious then after, the effective and result-oriented programs should be launched by Government sector which should be well co-operated by Tharus, other people, social workers. These collective hands are certainly sufficient to root out poverty in the context of Tharu tribe and to uplift gradually to prosperity.



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## Annex 1

### Calculation of Minimum Subsistence Level of Income

S.N.	Cereal Items	Price/kg (in Rs.)
1.	Rice "Masion"	22
2.	Rice "Midium"	17
3.	Rice "Moto"	13
4.	Beaten Rice	18
5.	Wheat	11
6.	Maize	9
	Total	90

6000 gm of cereals cost Rs. 90

$$1 \text{ gm of cereals cost Rs.} = \frac{90}{6000}$$

$$605 \text{ gm of cereals cost Rs.} = \frac{90}{6000} \times 605$$

$$= 9.075$$

S.N.	Pulses Items	Price/kg, (in Rs.)
1.	Black gram	32
2.	Mashoor	26
3.	Asahar	28
4.	Soyabean	24
	Total	110

4000 gm of pulses price costs Rs. 110

$$1 \text{ gm of pulses price costs Rs.} = \frac{110}{4000}$$

$$60 \text{ gm of pulses price costs Rs.} = \frac{110}{4000} \times 60$$

$$= 1.65$$

Total cost required for 605 gm of cereal and 60 gm of pulse = 0.075  
+1.65 = 10.725

According to the NPC, 65 percent of subsistence consumption expenditure will be spent minimum food required and other food/nonfood items. Then,

$$65\% \text{ of Subsistence expenditure Rs.} = 10.725$$

$$1\% \text{ of Subsistence expenditure Rs.} = \frac{10.725}{65}$$

$$35\% \text{ of Subsistence expenditure Rs.} = \frac{10.725}{65} \times 35$$
$$= \text{Rs. } 5.775$$

Thus, the total required expenditure per capita per day

$$= \text{Rs. } 10.725 + \text{Rs. } 5.775$$

$$= \text{Rs. } 16.5$$

Absolute poverty line = Rs. 16.5 per capita per day.

**Annex 2**  
**Regression**  
**Variables Entered/Removed\***

Model	Variables Entered	Variables Removed	Method
1	Income <sup>a</sup>		Enter

a. All requested variables entered.

b. Dependent Variable: Consumption

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.894 <sup>a</sup>	0.800	0.796	2.7146

a. Predictors: (Constant), Income

**ANOVA<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1413,217	1	1413.217	191.784	0.000 <sup>a</sup>
Residual Total	352,703	48	7.369		
	1766 920	49			

a. Predictors: (Constant), Income

b. Dependent Variable: Consumption

**Coefficients<sup>a</sup>**

Model	Unstandardize		Standardized	t	Sig.
	Unstandardized Coefficients				
	B	Std. Error	Beta		
(Constant)	4.078	1.133	0.894	3.600	13.849
Income	.798	.055			.001 .000

a. Dependent Variable: Consumption

**Correlations**  
**Corrections**

		Income	Consumption
Income	Pearson Correlation		.894*
	Sig. (2-tailed) N	1.000 50	.000 50
Consumption	Pearson Corrs Sig. (2-tailed) N	.894**	
		.000 50	1.000 50

\*\* . Correlation is significant at the 0.01 level (2 tailed.)



### Annex 3

#### Derivation of Wolf Point

Wolf point is defined as the point of equality between expenditure and income per capita per day in the keynsin function.

$C_i = \hat{a} + \hat{b} Y$ ; When,  $C_i = Y_i$  it gives wolf point

$$C_i = \hat{a} + \hat{b} C_i \quad [ \because C_i = Y_i ]$$

$$C_i - \hat{b} C_i = \hat{a}$$

$$C_i(1 - \hat{b}) = \hat{a}$$

$$\therefore C_i = \frac{\hat{a}}{1 - \hat{b}} \quad [ \text{Where, } C_i = b_i ]$$

$$\text{Thus the wolf point} = \frac{a}{1 - \hat{b}}$$

Where, we have

$$\hat{a} = 4.078 \quad \hat{b} = 0.798$$

$$\text{wolf point} = \frac{\hat{a}}{1 - \hat{b}} = \frac{4.078}{1 - 0.798} = \frac{4.078}{0.202} = 20.19$$

This gives the value of total poverty line.

## Annex 4

### Calculation of Gini-coefficient among the total sampled household by taking household per capita

$$G.C. = \frac{2}{n^2 \bar{Y}} [Y_1 + 2Y_2 + \dots + nY_n] - \frac{1}{n} - 1$$

Where,  $Y_1 < Y_2 < \dots < Y_n$

In this case, we compute G.C. from the decile group table (using table No. 15).

$$n = 10, \bar{Y} = \frac{\Sigma Y}{n} = \frac{100}{10} = 10$$

$$\begin{aligned} \therefore G.C. &= \frac{2}{(10)^2 \times 10} [5.40 + 2(6.51) + (7.22) + 4(8.02) + 5(9.07) \\ &\quad + 6(9.66) + 7(10.56) + 8(11.76) + 9(14.03) + 10(17.77)] - \frac{1}{10} - 1 \\ &= \frac{2}{1000} [5.40 + 13.02 + 21.66 + 32.08 + 45.35 + 57.96 + 73.92 \\ &\quad + 94.08 + 126.27 + 177.7] - 0.1 - 1 \\ &= \frac{2}{1000} [647.44] - 0.1 - 1 \\ &= 1.29 - 0.1 - 1 \\ \therefore G.C. &= 0.19 \end{aligned}$$

Where,

$Y$  = Mean income of the poor (per capita per day)

$Y_i$  = Individual income of the poor (per capita per day)

$n$  = No. of total poor households

G.C. = Gini-coefficient

## Annex 5

### Calculation of Gini-coefficient Among the Absolute Poor Households

$$\text{G.C.} = \frac{2}{n^2 \bar{Y}} [Y_1 + 2Y_2 + \dots + nY_n] - \frac{1}{n} - 1$$

Where,  $Y_1 < Y_2 < \dots < Y_n$

Computation

$$\sum Y_i = 260.66$$

$$n = 20$$

$$\therefore \bar{Y} = \frac{\sum Y_i}{n} = \frac{260.66}{20} = 13.033$$

$$\text{G.C.} = \frac{2}{(20)^2 (13.033)} [9.48 + 2(9.96) + \dots + 20 (15.64)] - \frac{1}{20} - 1$$

$$= \frac{2}{5213.2} [2953.86] - \frac{1}{20} - 1$$

$$= 1.133 - 0.05 - 1$$

$$= 0.08$$

## Annex - 6

### Range (Among Total Sample Households)

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

$$\text{Since, } \bar{Y} = \frac{\sum Y_i}{n} = \frac{960.3004}{50} = 19.206$$

$$\therefore E = \frac{39.73 - 9.48}{19.206}$$

$$= \frac{30.25}{19.206}$$

$$= 1.58$$

[Note : Per capita daily income is used for computations.]

## Annex - 7

### Range (Among The Absolute Poor)

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

$$\text{Since, } \bar{Y} = \frac{\sum Yi}{n} = \frac{260.66}{20} = 13.033$$

$$\therefore E = \frac{15.64 - 9.48}{13.033} = \frac{6.16}{13.033} = 0.472$$

[Note : Mean income of the absolutely poor is far below from the absolute poverty line.]

## Annex 8

### Computation of Sen's Poverty Index

a) Considering inequality i.e. Gini-coefficient among absolute poor.

$$P^* = \frac{X}{C * P} [C * P - CP (1 - GP)]$$

Where,

X = Percentage of population below poverty line = 0.5

C\*P = Absolute poverty line income per capita daily = 16.5

CP = Mean income of the poor per capita daily = 13.03

GP = Gini-coefficient among absolute poor = 0.472

P\* = poverty index (?)

$$\begin{aligned} \text{Thus, } P^* &= \frac{0.5}{16.5} [16.5 - 13.03(1 - 0.472)] \\ &= \frac{0.5}{16.5} [16.5 - 6.88] \\ &= \frac{0.5}{16.5} \times 9.62 \\ &= 0.29 \end{aligned}$$

b) Without considering inequality i.e. Gini concentration :

$$\begin{aligned} P^* &= \frac{X}{C * P} [C * P - CP] \\ &= \frac{0.5}{16.5} [16.5 - 13.03] = \frac{0.5}{16.5} \times 3.47 \\ &= \frac{1.735}{16.5} = 0.105 \end{aligned}$$

## Sample of Household Survey Questionnaire

Location of Interview

Interview date:

### Section A: General Information

Name of respondents: ..... Sex: ..... Caste/ethnicity.....

VDC ..... Ward No. ....Tole/village ..... No. of family members

### Section B: Family Background

HH member	Resp	Fath.	Moth.	H/Wf	Sol	So2	So3	D1	D2	D3
Age										
Edu.										
Occu.										
Main source of income										
Skill										
Skill use (Since when)										
skill (learn where)										
School leave (Why)										

### Section C: Village Infrastructure and Accessibility

	School			Health services	Bank	P.O.	Tel.	Road	Agri. Center	Elect
	Primary	L.Sec	Sec.							
Where (distance)										
Mode of trans.										
Use it (since When)										
Use it (How often)										
Who assisted										
Function (How satisfactory)										

1. Are you satisfied with the infrastructures that you have in your village? Yes/ No							
2. Why? .....							
3 What kind of infrastructures do you wish to be developed in your village within this coming five years and ten years time period							
Type of infra.							
Within 5 years							
Within 10 years							
4 How?							

#### Section D: Household Economy (Non Agriculture)

	Resp.	Father	Mother	SI	S2	D1	D2	B1	B2
Work (during 12 months)									
Way to receive wage									
Earn (in cash)									
Earn (in kind)									
Work (months in a year).									
Work (rural or urban ?									
This work (since when?).									

1. Has anybody gone from your house to abroad to earn money? Yes/ No
2. In which country? .....
3. Is foreign earning a major source of livelihood and support in your family? Yes/ No
4. Why is your family member gone to foreign country? .....

#### Section E: Household Economy (Agricultural and Livestock Production)

<b>Agriculture</b>	<b>Rice/1</b>	<b>Rice/2</b>	<b>Wheat</b>	<b>Maize</b>	<b>Millet</b>	<b>Potato</b>	<b>Horticulture</b>	<b>Land</b>
Own prod, (quant.)								Kliet
Prod rent-in)								Ban
Buy (quanta)								
Buy (which month)								
Buy (Rs.)								
Sell (quant)								
Sell (which month)								
Sell(Rs.)								
<b>Livestock</b>	<b>Buffalo</b>	<b>Cow</b>	<b>Ox</b>	<b>Goat</b>	<b>Sheep</b>	<b>Poultry</b>		
How many								
Sell (Rs )								
Value of consumed Liv.								
Liv. given as gift (Rs )								
<b>Livestock Product</b>	<b>Milk</b>	<b>Ghee</b>	<b>Cheese</b>	<b>Eggs</b>				
Sell(Rs.)								

**Section F: Health**

	Father	Mother	SI	S2	D1	D2					
Illness											
Since when											
Spend (Rs.)											
Working days affected											
Treatment where											
Present health status											

**Section-G: Income**

1. In which year or the month did you have the highest income in these ten years period?
2. How were you able to earn that amount of money?
3. Is your income increasing or decreasing or remained the same in these years?
4. What are the reasons for such?
5. In your opinion what is the best way to increase the income'?
6. How much money is required per month for a family of five members to run the family?

**Section H. Debt Situation**

1. What types of loan/ debt do you have'?  
Bank-1. Landlord-2. Businessman-3. Relatives-4. Neighbor-5. Others-6  
(Please specify).....
2. Why do you take loan?
3. What is the interest rate?
4. Have you lost your livestock and other assets in turn of returning of your loan?
5. How adequately is loan available?
6. Are you returning the loan and its interest on time? Yes/ No
7. If yes. how?
8. If no. why?

### **Section I: Agricultural related**

1. Do you use pesticides in your farm? Yes/ No
2. Do you produce off seasonal vegetable in your farm? Yes/' No
- 3 . Have taken any agricultural training? Yes/ No
- 4 . What were the names and the contents of the training?
5. Is your land irrigated or rain fed?
6. Is the irrigation on the land seasonal or year round?
7. What is the mode of irrigation on the land'? Tube well/ boring. Canal.  
Pond/ tank, other natural sources, mixed
8. What crops did you cultivate over the past dry season?
- 9 What crops did you cultivate over the past wet season?
10. Do you use improved varieties of seeds? Yes/ No
11. If not. Why?
12. Were you able to obtain all the fertilizers you needed over the past agricultural year? Yes/ No.
13. Why were you unable to obtain all the fertilizers you needed over the past agricultural year?  
Not available to purchase                      No money for purchase      others.....



## Appendix 2

S.N.	S.N.	M.	F.	Total	Y	C	Y2	C2	YC
1	8	3	4	7	9.48	11.49	89.93	132.05	108.98
2	20	5	7	12	9.96	9.43	99.27	88.91	93.95
3	9	8	7	15	10.05	10.25	101.06	105.10	103.06
4	10	3	1	4	11.08	14.06	122.66	197.73	155.74
5	11	3	4	7	11.32	11.46	128.21	131.33	129.76
6	36	3	2	5	11.67	12.66	136.22	160.35	147.79
7	18	3	2	5	12.44	12.92	154.71	166.94	160.71
8	12	3	2	5	12.47	13.58	155.40	184.51	169.33
9	13	3	3	6	12.85	14.43	165.10	208.33	185.46
10	14	4	3	7	13.08	13.64	171.19	186.05	178.47
11	27	1	3	4	13.36	15.00	178.39	225.00	200.34
12	38	5	3	8	13.70	16.61	187.65	275.88	227.53
13	15	3	7	10	13.90	14.61	193.17	213.40	203.03
14	6	6	4	10	14.12	17.02	199.31	289.56	240.23
15	29	7	4	11	14.20	11.31	201.69	127.97	160.66
16	17	2	1	3	14.99	16.05	224.59	257.76	240.60
17	7	5	4	9	15.21	15.76	231.48	248.36	239.77
18	43	1	2	3	15.53	18.32	241.03	335.61	284.41
19	31	3	2	5	15.61	14.79	243.70	218.72	230.87
20	24	6	4	10	15.64	16.19	244.73	262.09	253.26
21	16	2	3	5	17.03	15.45	290.03	238.77	263.15
22	21	4	1	5	17.38	17.06	302.09	290.96	296.47
23	22	3	2	5	17.44	17.41	304.00	303.05	303.52
24	28	2	3	5	17.48	17.55	305.53	308.03	306.78
25	30	1	3	4	17.81	18.49	317.12	342.00	329.33
26	35	1	3	4	17.81	19.69	317.13	387.77	350.68
27	49	3	2	5	18.08	19.73	326.97	389.12	356.69
28	1	1	3	4	18.82	14.86	354.01	220.91	279.65
29	23	2	3	5	18.84	15.36	354.88	235.90	289.34
30	48	2	2	4	19.18	21.55	367.80	464.31	413.25
31	40	4	2	6	19.63	21.35	385.52	455.89	419.23
32	47	1	3	4	19.86	21.92	394.54	480.39	435.35
33	26	1	2	3	20.09	21.23	403.66	450.84	426.60
34	34	1	3	4	20.89	18.90	436.41	357.37	394.91
35	3	3	6	9	20.91	18.91	437.36	357.48	395.41
36	25	3	1	4	21.23	21.30	450.84	453.75	452.29
37	50	3	2	5	21.92	22.47	480.39	504.71	492.40
38	41	3	2	5	22.47	23.18	504.71	537.22	520.71
39	19	1	4	5	23.33	18.68	544.36	348.92	435.82
40	39	3	4	7	24.03	24.53	577.50	601.64	589.45
41	33	3	2	5	25.04	19.74	627.06	389.76	494.37
42	2	5	3	8	25.86	23.31	668.90	543.43	602.91
43	44	3	2	5	26.85	27.14	720.89	736.56	728.68
44	37	3	3	6	27.40	27.95	750.61	781.19	765.75
45	46	2	3	5	29.59	30.09	875.51	905.27	890.27
46	4	5	4	7	31.72	28.51	1006.29	812.75	904.36
47	42	2	2	4	32.19	33.76	1036.31	1139.76	1086.80
48	32	2	1	4	32.44	23.32	1052.25	544.02	756.60
49	5	2	1	3	34.59	19.82	1196.72	392.73	685.55
50	45	1	1	2	39.73	38.93	1578.16	1515.66	1546.59
		147	145	292	960.3004	941.783	20837.06	19505.79	19926.89

