

Poverty in Nepal: A Case Study of Bhaktapur District

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INTRODUCTION

Poverty is deeply rooted in Least Developed Countries (LDCs). In Britain, USA and other advanced countries a failure to come up to a desired level of living is called poverty. But in LDCs the term poverty reflects the pictures of illiterate, hungry, malnourished, poverty-stricken and survival oriented people. In Japan, a large number of workers earn much lower income than their average. Indeed most of us are surprised to learn that millions of Americans remain inadequately fed, clothed and housed.

The problem of measurement of poverty has two aspects. First, specification of a poverty line - the threshold income below which one is considered poor. Secondly, the intensity of poverty suffered by those below the threshold income. The term poverty can be conceived in absolute and relative conditions. In relative terms, a family is considered poor if its level of income falls below a pre-determined level; in absolute term, absolute norms for living are made according to minimum standard, and all units whose income fall below this standard are classified as poor. Absolute terms are more appropriate for developing countries where absolute poverty abounds. In developed countries the problem originate in the asset distribution and productivity levels in the rural sector. But in LDCs the problem is structural and it is much more complex.

The thrust in LDCs has always been to formulate and implement effective programmes to dilute the apathy of poverty. For example, given the belief that an adequate diet (calories, vitamins and protein) is the basic right of all human beings independent of class and income, we scarcely need to justify the need for nutrition policies and programmes. Then we must seek appropriate policies and programmes to reduce the problem significantly. In the Nepalese context, rural development programmes have made less than anticipated progress towards ameliorating the severe and wide spread poverty in Nepal. Nepal, the seventh poorest country of the world in 1983 has at present become the second poorest country of the world with per capita GNP of about 150 US dollars. Given the population growth rate, independent economists calculate that even if the current two percent annual growth rate in GDP doubles, half of the Nepal's population will still be living below subsistence level at the turn of the century. It seems impossible to be other than pessimistic about Nepal's prospect, be they medium or long-term. It has also been said that a stage has been reached in Nepalese development where aggravation of poverty is proceeding

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unchallenged. Therefore, our task is very much challenging, for our determination is the fulfillment of basic needs by 2000 A.D. In connection with such difficult as well as significant determination of Nepalese people, it is just meaningless to anticipate anything without some substantial review regarding the present context. The present study has been designed to trace the present economic situation of one of the villages of the Kathmandu Valley.

Out of three districts in the valley, Bhaktapur district has been chosen and, Duwakot, one of the eighteen village panchayats, has been taken randomly for the present study. The census of 1981 has shown the total population of 4393 in this panchayat, of which 2226 were male and 2167 female. The study area is close to the metropolitan centre where socially acceptable minimum level of living and job opportunity is comparatively higher. Agriculture being the main source of employment, people are found to be engaged else where as well.

OBJECTIVES

Following are the objectives of the present study:

- To establish poverty line in the study area.
- To measure the extent of poverty.
- To highlight the nature of poverty problem.
- To suggest policy programmes to deal with poverty problem.

APPROACH TO THE STUDY

The present study is based on primary sources of information, collected on the basis of random sampling method in the study area. Effort is made to draw two types of poverty lines, namely, absolute poverty line and relative poverty line. The absolute poverty line refers to the level of income at which people can just manage to provide themselves with the minimum calorie requirement. In order to establish this type of poverty line the minimum subsistence norm is followed. The relative poverty line is that level of income at which people can just meet their expenditure. This level of income may be called 'wolf-point'. People whose income levels fall between 'wolf-point' and the absolute poverty line are categorised as relatively poor people. The summation of absolute poor and relative poor constitutes total poor.

In order to establish the total poverty line Keynesian Consumption Function is followed. On fitting this, $\frac{a}{1-b}$ is calculated to arrive at the 'wolf-point', where 'a' is the intercept and 'b' is the slope of the function.

The extent of poverty is established using two devices, first, simple statistical calculations are done and, secondly, Sen's index of poverty is derived. In all, the same information is used.

The nature of poverty problem is discussed by analysing various socio-economic characteristics and their relationships with the poverty problem. In this connection households are analysed in terms of major occupation, size of holding, size of household, level of education of the household heads and the ethnic groups.

POVERTY PROBLEM IN THE STUDY AREA

Per capita per day calorie requirement for survival for the people of Nepal, according to Food and Agriculture Organization, is 2256. A requirement of net consumption of 605 grams of cereals and 60 grams of pulses every day is suggested. Average value of 605 grams of cereals and that of 60 grams of pulses is taken separately and summed up to arrive at the value of the required calorie. On this value the minimum daily consumption expenditure on other basic necessities of life is added in order to arrive at the minimum subsistence requirement. This state is identified as the absolute poverty line.

Taking the price level of the most common varieties of cereals and pulses at the common marketing place of the study area, the value of 2256 calorie is found to be Rs. 4.36. The value of minimum average actual daily consumption expenditure on other basic necessities of life in the study area is Re. 1. Thus, Rs. 5.36 per capita daily income is the income at the absolute poverty line in the study area. As estimated by National Planning Commission (NPC), Rs. 2.02 was the absolute poverty line for rural Nepal in 1978. The same line estimated by K.K. Dahal and M.K. Shrestha in 1985 for Panchthar district was Rs. 4.35. In this way present study has estimated highest line. There can be two obvious reasons behind this. First, there is time lag between these different studies and during which price level has increased significantly. Secondly, since the study area is situated near the metropolitan area, the minimum acceptable survival level is normally high.

The Keynesian Consumption Function fitted for the study area is as follows:

$$c = a + by$$

or, $c = 117.159 + 0.628y$ $R^2 = 0.79$ $N = 51$

SE = 19.69 0.06548

t* 7.0197 9.591

where,

- c = estimated consumption expenditure (monthly),
- y = income (monthly),
- SE = Standard Error,
- t* = calculated 't' value,
- R^2 = co-efficient of determination,
- N = number of observations.

$$\begin{aligned} \text{'Wolf-point'} &= \frac{a}{1-b} = \text{Rs. } 314.96 \text{ monthly} \\ &= \text{Rs. } 10.50 \text{ daily.} \end{aligned}$$

In this way daily per capita income of Rs. 10.50 is the 'wolf-point.'

According to the field study and analysis of data, 47.06 percent households are absolutely poor in the study area. Similarly, 22.53 percent households are relatively poor and, in total, 70.59 percent households can safely be referred to as the total poor. Likewise, 41.00 percent and 29.50 percent population are absolutely and relatively poor respectively.

The present findings as to the poverty are different from other studies. The estimates of NPC in 1978 showed that 40.30 percent households constituting 36.20 percent population of rural Nepal are absolutely poor. This estimate of NPC is considerably less than estimates done by K.K. Dahal and M.K. Shrestha in Panchthar district. According to their results, 62.92 percent households and 64.16 percent population of Panchthar (rural areas) are absolutely poor. So far as reliability side is concerned, the estimate of NPC is always considered as the conservative estimates by different writers.

From the present study it is concluded that, if 47.06 percent households and 41.00 percent population are absolutely poor in such a village, it can safely be argued that more than these percentages of poverty is prevailing in rural Nepal. There are two obvious reasons behind this. First, Duwakot is just close to Bhaktapur district and a higher opportunity of making money can be expected here. Secondly, farmers of Duwakot are familiar with the improved technique of farming, and also greater facilities are available here. Thus, considering the percentage of poverty in Duwakot, it is not surprising to find more than 60 percent absolute poverty in Panchthar.

EXTENT OF THE POVERTY PROBLEM

From field study and analysis of data, it has been found out that people under poverty line are facing very hard life. Some households are surviving on less than what is required or half fed, while others in the village have been borrowing solely for consumption. The pictures of children of poor households show no shoes or slippers to protect their feet, wear second hand clothes and look sick and hungry. Regarding the extent of poverty, the simple statistical calculations show that, out of aggregate income of total sample households, 16.79 percent income is by 47.06 percent absolutely poor households. The mean income of the poor people is Rs. 106.93 per month which is considerably less than the absolute poverty line of Rs. 160.80. This means that if the income level of poor people is to be raised even upto the absolute poverty line each individual requires additional income of Rs. 53.87 per month on an average. The non-poor, i.e. who are not absolutely poor, are earning 82.21 percent of total income. If 10.17 percent of total income of non-poor are transferred to the poor, the income level of the poor could be raised to the absolute poverty line.

Sen's poverty index is shown as P* which is defined as follows:

$$P^* = \frac{X}{C_P^*} [C_P^* - C_P (1-G_P)]$$

where, X = Percentage of population below poverty line.

C_P^* = Poverty line.

C_P = Mean Income of the poor.

G_P = Gini-coefficient of the poor.

The Gini-coefficient of the poor is found to be 0.04625, showing the inequality of income. As the Gini-coefficient approaches close to zero, it means, greater equality of income is envisaged.

The index of poverty shows the intensity of the situation of poverty and greater the index value, the higher will be the intensity of the problem calculated poverty indices in the study area and comparison with Panchthar rural area is presented in Table 1.

Table 1
Poverty Indices (P*)

	Considering Income Inequalities Among the Poor	Without considering Income Inequalities Among the Poor
For Bhaktapur*	0.1499	0.1374
For Panchthar**	0.2883	0.2367

Source: *Field Survey.

**K.K. Dahal and M.K. Shrestha, "Rural Poverty in Nepal: A Case Study of Panchthar District." HMG-USAID-GTZ- IDRC-FORD-WINROCK PROJECT, 1987, p. 5.

Higher the value of P* higher will be the intensity of the problem. The value of P* for Bhaktapur is less than that for Panchthar. It is in accordance with the expectation that the poverty problem in Bhaktapur is not so intense as compared to Panchthar.

NATURE OF POVERTY PROBLEM

The picture of poverty can be visualised by concentrating on the nature of poverty problem. In this part of the study, various socio-economic characteristics of the study area and their relationships with the poverty problems are discussed.

Occupation and the Poor

In the study area most of the households have more than one sources of income. The highest income yielding occupation is taken as the major occupation. The classification of households in terms of major occupation is shown in Table 2.

Table 2
Main Occupation and Poverty

Occupation	Percentage of Households	Percentage of Poverty
Agriculture	50.98	46.15
(a) Farm Products	41.18	47.62
(b) Livestocks	9.80	40.00
Wage Earners	13.72	100.00
Service	33.33	23.53
Tailoring	1.96	100.00

Source: Field Survey.

From the above table it is evident that 50-98 percent households obtain major portion of their income from agriculture and in the category, 46.15 percent households are absolutely poor. If agriculture is broken down into farm products and livestock, 41.8 percent of households are engaged in farm products while those in livestock is 9.80 percent as their respective main occupation. Regarding poverty, 47.62 and 40.00 percent households are absolutely poor in these occupations respectively. Similarly, 13.72 percent households are wage earners and all of them are absolutely poor. In the mean time, 33.33 percent households have service as their main occupation, of whom 23.53 percent households are absolutely poor. The occupation service refers to government employees as well as employees of private offices. Finally, 1.96 percent households have tailoring as their main occupation and all are absolutely poor in this (tailoring) group. The mean per capita monthly income of absolutely poor households in different occupation has been shown in Table 3.

Table 3 shows that the lowest mean income is found in farm products followed by wage earners, service holders, livestock and tailoring respectively.

Size of holding and the Poor

Table 4 shows the distribution of land among total sample households.

Table 3
Mean Income of the Poor in Different Occupations

Occupations	Per Capita Monthly Mean Income
Farm Products	Rs. 97.97
Livestock	Rs.132.67
Wage earner	Rs.106.81
Service holder	Rs.108.42
Tailoring	Rs.133.54

Source: Field Survey.

Table 4
Distribution of Land

Size of Holding (in Hectare)	Percentage of Households	Mean Per Capita Monthly Income
0-0.259	37.26	134.69
0.254 -0.508	31.37	201.68
0.509 -1.016	23.53	335.89
1.017 -1.525	3.92	590
1.526 -2.034	1.96	822.26
2.035 and above	1.96	831.75

Source: Field Survey.

The above table shows that higher the size of holding, higher will be the per capita mean income. The most concentrated size is 0 to 0.253 hectare.

The mean per capita income in the holding size 0.203 to 0.304 hectare of land is Rs. 158.43, which is very near to the absolute poverty line.

Household Size and the Poor

The average family size in the study area is 6.5, and that of poor household is 5.8. Table 5 shows the family size and the mean income of the poor.

Table 5
Household Size and Mean Income of the Poor

Family	Percentage of Households	Mean Per Capita Monthly Income (Rs)
1-4	33.33	107.1025
5-6	29.17	123.0986
7 and above	37.5	96.81

Source: Field Survey.

The above table shows that the level of income is low in very small family size as well as very big family size. The ideal size of family can be said to be the family of 5 to 6 members. If the family size is very small it means a small number of income earners, and if the family size is very big it means a greater number of dependents; thus, the mean incomes in both cases are low.

Illiteracy and the Poor

In the study area majority of household heads are ordinarily educated which is followed by illiterate. Percentage of poverty is higher in the case of illiterate household heads. In fact, the poverty and the level of education has got two-way relationship. The lower level of income may have been caused by the lack of education or may have been causing the lack of education. Any way, it has been found that higher level of education is associated with the higher level of income. That is, poverty is found to be existed mostly in lower level of education.

ETHNIC GROUP AND POVERTY

The following table shows the poor households in different ethnic groups.

Table 6
Ethnic Group and Poverty

Ethnic Groups	Percentage of Absolute Poverty	Mean Per Capita Monthly Income
Brahmin	8.33	130.235
Chhetri	37.5	99.15
Newar	33.33	105.81
Others	20.84	118.14

Source: Field Survey.

From this table it is evident that maximum percentage of absolute poverty and minimum level of mean income are found in Chhetris which is followed by others (Kami, Mizar, Damai and Brahmins respectively).

A considerable portion of population has been found survival oriented and poverty-stricken, struggling on the verge of life and death. On one hand, the intensity of the problem is very serious and on the other, we want to meet basic needs by the year 2000 A.D. In fact, it is very much challenging task. It requires all our efforts, concentration, determination and discipline.

There have been changes in thinking about the development over past several years. The need is not simply accelerated growth. It is appreciated alright, but if the benefits of the growth go to other than the survival oriented people, it will have nothing to do with the broad objective of poverty alleviation. At the present time people no longer accept that as the growth achieved, poverty eliminated and so forth.

As pointed out by the World Bank, "By the late 1960s, it was clear that economic growth alone would not reduce poverty at an acceptable rate, and so the complementary objectives of expanding employment and raising the productivity of the poor were added to the development agenda. This statement focuses on the need for increasing income of the poor." Thus, the policy measures, aiming at reduction in poverty problem, should be redistributive in nature. Simple statistical calculation shows that if 10.17 percent of total income of the non-poor are transferred to the poor, in the study area, the income level of the poor could be raised to the absolute poverty line. This implies that poverty alleviation does not necessitate growth. Some of the policy measures, with a view to increase the income levels of the poor, are discussed below:

Whatever be said above, growth is needed for permanent elimination of poverty. But the growth strategies which overlook the poorer segment of society has nothing to do with the objective of the alleviation of poverty. Hence, only those growth objectives are preferable which actually benefit the poor significantly.

The most important policy relating to the income redistribution so as to reduced the poverty problem is the creation of additional employment opportunities. To provide employment opportunities to the poor people, almost unskilled in nature, sound public work programmes and hard and fast policies should be organised and designed. Joint farming, intensified cropping practice and establishment of agro-based labour intensive industries can help a lot in providing gainful employment.

Since there are almost unskilled labour, the productivity side is very much important. Small farmers who are farming in traditional way could be benefitted immediately if their productivity is increased through modern farming techniques. Outlays on primary education, family planning, basic health care and nutrition will produce gains in productivity. Above all, it is training which has immediate outcome.

The steps taken by government to date have not been efficient in the sense that instead of reducing the problem, the absolute poverty has been increasing which is explicit even in government statements. The reasons behind the inefficiency in government programmes are that, they lack soundness, there is no hard and fast policy and there have been unnecessary delays. In order to bring efficiency in the programmes and policies of the government, they must be revised in such a way that encouraging improvement, in the poors' favour, should be achieved. All Nepalese have responsibility in this context.

Drug abuse is causing serious problem all over the world, with no exception of Nepal. It is affecting young people and also causing aggravation of poverty by adversely affecting attitude towards work. It causes untimely death as well. Thus, the drug trafficking and its abuse must be prohibited through strict regulations.

At present, development of cottage industries is quite negligible. Whatever existed so far have been declining. If the financial assistance and, more importantly, market facilities are provided to the people, the cottage industries can meaningfully survive. It is urgently need for transferring surplus labour force from agriculture to industry

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