

# Scenario of Poverty in Nepal

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Received: 6 May, 2025 / Accepted: 1 June, 2025 / Published: 9 July, 2025

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## Abstract

*Poverty is a multidimensional issue that demands multidimensional solutions. While significant progress has been made, millions continue to suffer from deprivation. Addressing poverty requires a blend of sound economic policies, targeted social programs, and a global commitment to equity and justice. Only through a deep understanding of both its conceptual foundations and empirical manifestations can effective and enduring solutions be crafted.*

**Keywords**—Poverty, Income, Poverty line

## Introduction

Generally, the poor are those whose expenditure (or income) falls below a poverty line. Poverty is a social problem. Sociological interests in poverty centers around the ideas of the 'culture of poverty' and the effects of 'place' on poverty. In sociological explanation the role of culture, power, social structure, and other factors that are rarely out of control of the individual are the main forces of poverty. Poverty is a multi-dimensional concept. There are mainly four approaches to define and measure the poverty; monetary approach, capability approach, social exclusion approach and participatory poverty approach (Laderchi et al. 2003). All these approaches have their own dimensions and concerns to define and measure the poverty. Poverty is the state of one

who lacks a certain amount of material, possessions or money. There are other different definitions of poverty.

There are various scholars define to poverty in various way. According to Haralambos (2010) poverty is a social problem. Similarly, it is found to have defined in various ways on the basis of various theories. From a Marxian perspective, poverty in capitalist society can only be understood in terms of the system of inequality generated by a capitalist economy. From this perspective, the state in capitalist society reflects the interests of the ruling class, government measures can be expected to do little except reduce the harsher effects of poverty (Haralambos 2010). Similarly, the positive feedback theory shows how the various circumstances of poverty

reinforce each other and so maintain the system. The culture of poverty theory claims to show how a distinctive subculture develops within the situation of poverty and so perpetuates the system (Haralambos 2010).

Max Weber argues that the poverty of the old, sick, handicapped and single parent families is largely working-class poverty. Social class rather than personal disability, inadequacy, or misfortune accounts for poverty (Haralambos 2010). Poverty is generally of two types: absolute poverty and relative poverty. Absolute poverty refers to the condition characterized by severe deprivation of basic human needs including food, safe drinking water, sanitation facilities, health, shelter, education, and information which are not being met to support a minimum level of physical health (Haralambos 2010).

Relative poverty is defined contextually as economic inadequacy in the location or society in which people live. When people do not enjoy a certain minimum level of living standards are determined by the government (and enjoyed by the bulk of the population) that vary from country to country. It is socially defined and dependent on social context. Hence, relative poverty is measured as the percentage of population with income less than some fixed proportion of median income. For much of history, poverty was classified largely unavoidable as traditional modes of production were insufficient to give an entire population a comfortable standard of living (Haralambos 2010).

Poverty remains one of the most persistent and complex challenges in both developing and developed nations. Despite global economic progress, poverty continues to affect millions, shaping access to health care, education,

employment, and basic human dignity. This article explores the conceptual frameworks used to define poverty and examines empirical realities drawn from global statistics and case studies.

### **Approaches Poverty to Measuring**

Poverty is a multidimensional concept. According to (Laderehi, Saith and Stewart 2003) there are mainly four approaches to define and measure the poverty: first, monetary approach. The monetary approach to poverty measurement was pioneered by the seminal work by Booth and Rowntree in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. They pointed the objective assessment of poverty predefined by the external observer but they also created individualistic view of poverty, meaning that poverty could be defined with respect to an individual's circumstances, disregarding the role of society and the individual's social influences. This view of poverty was consistent with the perception of poverty as a social ill rather than a disadvantaged situation.

The second is capability approach. Capability approach defines poverty as a deprivation of capabilities as lack of multiple freedoms people value and have reasons to value. Nussbaum argues that there should be a "list" of core capabilities and Sen (1993) argues that the capabilities should be selected in the light of the purpose of the study and the values of the referent population, and that their selection should be explicit and open to public debate and security. This approach draws attention to much wider range of causes of poverty and options for policies than the monetary approach. The capability approach rejects monetary income as its measure of well-being, and instead focuses on indicators of the freedom to live a valued life. In this framework, poverty is defined as deprivation

in the space of capability approach, or failure to achieve certain minimal or basic capabilities, where 'basic capabilities' are 'the ability to satisfy certain crucially important functioning up to certain minimally adequate levels' (Sen 1993).

It emphasizes on well-being that is seen as the freedom of individual. Therefore, poverty must be related to the human freedom and quality of life in an individualistic way that can be achieved through certain capabilities development (ibid). Third is social exclusion approach. Social exclusion is a process. It can involve the systematic denial of entitlements to resources and services, and the denial of the right to participate on equal terms in social relationships in economic, social, cultural or political arenas.

### **Social Exclusion**

This concept was developed in industrialized countries to describe the processes of marginalization and deprivation that can arise even within rich countries with comprehensive welfare provisions (Laderchi, Saith and Stewart 2003). The European Union defines social exclusion as a: 'process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live' (European Foundation, 1995). Social Exclusion leads to a focus on distributional issues the situation of those deprived relative to the norm generally cannot improve without some redistribution of opportunities and outcomes whereas monetary poverty and capability poverty can be reduced through growth without redistribution (Atkinson 1998).

Finally, last one is participatory approach. Participatory Poverty Assessments (PPA) pioneered by Robert Chambers. This approach's main aims are getting people themselves to

participate in decisions about what it means to be poor, and the magnitude of poverty (Chambers 1994). The practice of participatory poverty assessments evolved from PRA defined as 'a growing family of approaches and methods to enable local people to share, enhance and analyze their knowledge of life and conditions, to plan and to act' (Laderchi, Saith and Stewart 2003). It suggests providing opportunity to people to participate in decisions about what it means to be poor, and the magnitude of poverty' (Chambers 1994).

### **Monetary Approach of Measuring Poverty**

The monetary approach to the identification and measurement of poverty is the most commonly used. It defines poverty with a shortfall in consumption (or income) from some poverty line. This approach identifies poverty as a shortfall in consumption or income. The approach sets a poverty line as defined by a threshold income below which a person is considered to be poor. The most common poverty line is the \$1.25 a day, set by the World Bank. The main assumption made by this approach is that consumers' objective is to maximize their utility and that the ensuing welfare can be measured by their total consumption. And a proxy of consumption is their total expenditure or income.

An income below what is considered necessary to consume a minimum Sociology of Poverty basket of basic goods would then be defined as the poverty line. The use of a monetary approach to poverty can be justified in two quite different ways: first, the minimum rights approach, where a certain basic income is regarded as a right without reference to utility but rather to the freedom of choice it provides (Atkinson 1989 cited by Laderchi, Saith and Stewart 2003).

Secondly, the use of a monetary indicator is often invoked not because monetary resources measure utility, but because it is assumed it can appropriately proxy other aspects of welfare and poverty. The monetary approach is the most commonly used which identifies poverty as a shortfall in consumption (or income) (Laderchi, Saithand Stewart 2003). This approach sets a poverty line as defined by a threshold income below which a person is considered to be poor. The valuation of different components of income or consumption is done at market prices, which requires identification of relevant market and the imputation of monetary values for those items that are not valued through the market (ibid). It defines poverty as an individual aspect and measures the level of poverty with respect to the capacity of expenditure and fulfilling the minimum amount of food (in calories), shelter and clothes.

Further, this approach disregards social resources that are of great importance in determining individual achievement in some fundamental dimensions of human well-being such as health and nutrition. It has also been emphasized that this approach is addressed to individual's achievements; social interactions and interdependence are considered from the mechanical point of view appropriately scaling household resources to take account different household structures.

### **Historical Background of Monetary Approach**

The monetary approach to poverty measurement was pioneered by the seminal work by Booth and Rowntree, who studied poverty in London and York, respectively, in the 19<sup>th</sup> and early 20<sup>th</sup> centuries (Laderchi, Saith and Stewart 2003). Booth's study of the east end of London, in 1887,

was prompted by widespread rioting by the poor, which socialists explained at the time by the claim that one-third of the population was poor. Booth used informants, not direct enquiry among the poor. He categorized people into eight social classes, four of which represented different degrees of poverty (ibid).

Rowntree's work has been described as the first scientific study of poverty. Rowntree defined a poverty line by estimating monetary requirements for a nutritionally adequate diet together with estimated needs for clothing and rent. Those below this line were defined as in primary poverty (ibid). Both Booth and Rowntree agreed on some important issues - views which are shared by most economists adopting a monetary approach today. Booth and Rowntree created an individualistic view of poverty, meaning that poverty could be defined with respect to an individual's circumstances, disregarding the role of society and the individual's social influences.

This view of poverty was consistent with the perception of poverty as a social ill, rather than as a disadvantaged situation. This created the idea of the undeserving poor; those who were poor by own will and who, quite clearly, did not deserve the help or assistance of society or the State. The deserving poor, on the other hand, were assisted by charitable interventions designed to help the individual.

### **The Monetary Approach to Poverty: Strengths and Weaknesses**

The Monetary Approach proposes a method that sees income (or consumption) as equivalent (or, at least, as the best possible proxy measure) of well-being. To what extent can this assumption be sustained? In a complex world, where human interactions and social behavior differ greatly

between countries and even within countries, an approach that tries to uniform global population and the understanding of poverty seems to be inexperienced.

The highly debated "Less than 1.25 US\$ a day" poverty line is maybe one of the most extreme examples of this approach and its limitations. In the past, some of the poverty reduction policies that were applied were not correct, even in the eyes of the Monetary Approach. But the microeconomic theory underlying the Monetary Approach also poses some restrictions and limitations to the understanding of poverty.

Social relations are left aside, and other types of welfare are not considered. These failures make the Poverty Line and other Monetary Approaches an often-misleading instrument. Understanding well-being in a more realistic way seems to be the first task to correct some of these problems. However, the theory underlying this understanding of poverty seems to leave little room for this. Most of the causes of poverty are results of long processes of social, political, economic and cultural power relations. The evolution in time of such processes might be more insightful than trying to understand poverty at a single point in time through income. The Monetary Approach has led to some useless policies that tried to attack poverty by attacking effects instead of causes of poverty.

Hence, these policies have had little or no effect, and today poverty and inequality seem to be defeating most of the efforts of development agencies and governments. However, the monetary approach shouldn't be disregarded as useless.

The methodologies show clear economic inequalities that can help us understand economic

poverty. By considering this and by using other instruments that complement these methodologies (rather than trying to replace them), a better measurement and understanding of poverty can be reached. All the methodologies are supposed to be measuring the same: poverty. But as long as we don't agree on and understand what poverty is, we won't be able to attack it. Before engaging in a battle against poverty, we have to know our enemy... otherwise, the battle might turn out to be against the poor instead of against poverty.

### **Monetary Approach in Nepal**

The latest poverty identity card distribution is based on the monetary approach. The measurement of poverty is carried out on the basis of one's income and the card is distributed. National Planning Commission measures poverty on the basis of income and consumption capacity according to which one is addressed as poor when he has no ability to consume food equal to 2144 calorie.

Thus, till today the measurement of poverty, we are carrying out is based on only one dimension that is income and consumption capacity. Further, understanding the poverty on the basis of income and identifying poor as those having a minimum of yearly income 19 thousand two hundred and forty-three rupees. According to the 2010-11 NLSS, an individual in Nepal is considered poor if his/her per capita income total annual consumption is below Rs. 19,243.

### **Case Study**

Manamaya Gurung 'Shrestha' 27 years was born in Banepa municipality of Kavre district. Her family did not have sufficient land on its own then they escaped from there and come to Kathmandu for searching work. Her husband is illiterate and she has studied till class three in

government school. Her husband earned living of his family by working as a gateman on small private institution. Manamaya herself is also working in as a part time in two houses. They have two daughters and they are studying in public school. She has admitted her daughters in the public school because she cannot afford for the private schools.

Manamaya says that the earning from mere working in others' houses is not enough to pay room rent and join hand and mouth thus she is not able to afford the quality education for her children. Manamaya, with her husband hardly have a monthly income of 15 thousand but not as regular income, if sometimes they get sick or unable to work for any other reason, the salary cuts down in day wise which is bitter for them while their expenditure is nearly 18 thousand. They have to pay rent of 2500 in a month for a one small room. Manamaya's husband also has to send money for his parents in village too at least 2000 per month. Her husband could not bear all responsibility for her family because it was very hard for them to join their hand and mouth daily. Because of less income they could not afford money for health checkup if not serious case. When serious case occurs anyone among them the expenses harms in next month and they have to request their supporter for borrowing money. She told such moments came many times in her life when her children were too small and she told that till then she was getting support from others because she refunded all borrowing money how far she could as soon as possible. Further, she has to cancel buying meat, stop giving money to her husband's parents in village, and bring cheapest vegetables and so on. The part of entertainment is as a dream or very far for them. Due to inter-caste marriage she suffered many social problems such

as not being accepted in their guthi puja, rituals and in festivals. Other members and relatives dominate her as lower caste and ignore especially in rituals and festivals.

While seeing the case study of Manamaya, monetary approach only cannot capture the complex realities of poverty in everyday realities. According to the poverty line on monetary approach in Nepal, those who earn 19243 annually are above the poverty line. While seeing in this way, the annual income of Manamaya is around 1 lakh 80 thousand. But her family has no enough capability of spending on lodging, flooding, health, quality education and entertainment. Her daughters could not get quality education because she could not spend enough for that. They are not able to get proper health checkup while they get sick. Seeing through the capability approach, this is also poverty. Similarly, she has been excluded from the society in various ways due to her inter caste marriage. While seeing through social exclusion approach, this is also the poverty. Similarly, they say themselves poor though they have a good earning. They feel as if they are poor because they cannot spend enough for their, lodging-fooding, quality education and health which lacks their recognition in the society. From this, what can be clear is that the monetary approach cannot capture the complex realities of poverty in everyday realities.

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