



Poverty Trend and Its Indicators in Nepal: A Descriptive Analysis

Basu Dev Lamichhane (PhD)

Assistant Professor

Tribhuvan University, Saraswati Multiple Campus, Kathmandu, Nepal

basudev.lamichhane@smc.tu.edu.np

<https://orcid.org/0000-0001-7987-6512>

Mahananda Chalise (PhD)

Professor

Faculty of Management, Tribhuvan University, Kathmandu, Nepal.

mahananda.chalise@tu.edu.np

<https://orcid.org/0000-0002-7210-1244>

Dasarath Neupane*, PhD & PDF

Research Director

Atharva Business College, Kathmandu, Nepal.

nepalneupane.dasarath@gmail.com

<https://orcid.org/0000-0001-9285-8984>

Corresponding Author*

Received: January 01, 2026

Revised & Accepted: March 30, 2026

Copyright: Author(s) (2026)



This work is licensed under a [Creative Commons Attribution-Non Commercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

Abstract

Background: Poverty encompasses not just people's dire economic circumstances but also humanity's cultural, ethical, social, political, psychological, and economic needs. It is one of the upsetting situations that people in underdeveloped nations deal with regularly.

Objectives: The study aims to examine the causes, trends, and impacts of poverty in Nepal by focusing on key macroeconomic factors such as low-income levels. Despite gradual economic progress in recent years, poverty remains a major challenge affecting a large portion of the population, particularly in rural and remote areas, with unemployment, unequal distribution of resources, and limited access to education and health services. Secondary data collected from government reports, national surveys, and international organizations are used for analysis.

Research Design: The study applies descriptive and analytical methods, supported by tables, figures, and charts, to present the poverty situation clearly.



Finding: The study's findings reveal that structural weaknesses in the economy, dependence on agriculture, and regional disparities significantly contribute to persistent poverty.

Conclusions: The research concludes that effective government policies, employment generation, investment in human capital, and inclusive economic growth are crucial for reducing poverty and enhancing living standards in Nepal. Additionally, the study also discusses the trends and measurement of poverty in Nepal.

Novelty: This study goes beyond income-based analysis to explain chronic poverty in Nepal by integrating macroeconomic, structural, and regional factors in a novel way. It offers policy-relevant information to enable targeted poverty reduction efforts and efficient measures of poverty.

Implication: The study's findings could be useful for policymakers, regulators, and other stakeholders in developing a strategic framework (SF) for measuring and alleviating poverty.

Keywords: Economic development, income generation, inequality, macroeconomics, multidimensionality, NPC, poverty alleviation

EL Classifications: E21, G21, P132

1. Introduction

Poverty means lack of property, low standard of living, and measurable conditions in all spheres of life. It is about not having enough money to meet basic needs, including food, clothing, and shelter (Gyanwali, 2020). However, poverty is much more than just not having enough money. It has many faces, changing from place to place and across time, that has been described in several ways. Besides a lack of money, poverty is about not being able to send children on a day trip with their schoolmates or to a birthday party, not being able to pay for medications for an illness. These are all costs of being poor. Those people who are barely able to pay for food and shelter simply can't think about extra expenses. When people are excluded from a society, they are not well educated, and have a higher chance of illness; these are the negative consequences of society. We all pay the price for poverty. The increased cost of the health system, the justice system, and other systems that provide support to those living in poverty has an impact on our economy (Lamichhane, 2025).

Poverty is a pandemic that has attracted policymakers and researchers to postulate channels of poverty alleviation that need an immediate address so that the societies' living standards can be improved (Bent 2019). Poverty has long been one of the most serious socio-economic problems in Nepal, affecting the overall development and living standards of the population.

Nepal is a developing country with a predominantly agrarian economy, limited industrial growth, and heavy dependence on remittance income. Although various economic reforms and development plans have been implemented over the years, a significant portion of the population continues to live below the poverty line, especially in rural, mountainous, and remote regions. Poverty in Nepal is not only an economic issue but also a multidimensional problem involving lack of access to education, health services, employment opportunities, and basic infrastructure (Adhikari et al., 2020). From a macroeconomic perspective, poverty is



closely linked with factors such as low per capita income, high unemployment and underemployment, income inequality, and slow economic growth. Structural weaknesses in the economy, including low productivity in agriculture, inadequate industrialization, and poor utilization of human resources, have contributed to persistent poverty.

Moreover, rapid population growth, regional disparities, and vulnerability to natural disasters further intensify the poverty situation in the country (Bhattarai, 2016). In recent years, Nepal has made some progress in reducing poverty through increased remittance inflows, social protection programs, and targeted poverty alleviation policies. However, the reduction has been uneven across regions and social groups. Urban areas have experienced relatively better economic opportunities, while rural and marginalized communities continue to face severe deprivation. This uneven development highlights the need for a comprehensive macroeconomic analysis of poverty in Nepal (Adhikari, 2020).

Poverty is a state of condition in which a person or a community lacks the financial resources and essentials for a minimum standard of living. Poverty means that the income level from employment is so low that basic human needs cannot be met. It may be in the form of absolute and relative. Poverty is a complex and multifaceted condition, but it can be defined simply as a lack of financial resources (Dhungana, 2021). On the other hand, a comprehensive understanding of poverty goes far beyond income alone.

Poverty is a state of condition in which a person or a community lacks the financial resources and essentials for a minimum standard of living. Poverty means that the income level from employment is so low that basic human needs cannot be met. It may be in the form of absolute and relative. Poverty is a complex and multifaceted condition, but it can be defined simply as a lack of financial resources (Dhungana, 2021). On the other hand, a comprehensive understanding of poverty goes far beyond income alone.

Therefore, this study focuses on examining the nature, causes, and trends of poverty in Nepal within a macroeconomic framework. By analysing secondary data and macroeconomic indicators, the study aims to provide a clearer understanding of poverty dynamics and to support policy measures that promote inclusive and sustainable economic growth (Prasad, 2014).

2. Problem of the study

The study examines the macroeconomic factors contributing to poverty, including unemployment, low-income levels, and unequal distribution of resources. It also raises issues related to regional disparities, low productivity in the agriculture sector, and limited access to education and healthcare services. The major research issues of this study focus on understanding why poverty remains a serious problem in Nepal despite various development efforts. Furthermore, the effectiveness of government policies and poverty alleviation programs, along with the growing dependence on remittance income, is questioned in terms of achieving sustainable and inclusive poverty reduction in Nepal (Sharma & Adhikari, 2020).

- What are the major poverty-related indicators prevailing in Nepal?



- How has the poverty headcount ratio in Nepal changed over time, and what trends can be observed in recent years?

3. Objective of the study

The main objective of the study is to examine the causes, trends, and impacts of poverty in Nepal by focusing on key macroeconomic factors. The specific objectives of the study are as follows:

- To examine the poverty-related indicators in Nepal.
- To analyze the poverty headcount trend in Nepal.

4. Research methodology and materials

The study is to examine the causes, trends, and impacts of poverty in Nepal by focusing on key macroeconomic factors. This study is based on a descriptive and analytical research design. It relies entirely on secondary data collected from published sources such as government reports, economic surveys, census data, and publications of the Central Bureau of Statistics (CBS), National Planning Commission (NPC), Nepal Rastra Bank (NRB), the central Bank of Nepal, and reports of international organizations. Relevant books, journals, research articles, and official websites were also reviewed. Under this study, the collected data are analysed using simple statistical tools such as percentages, tables, figures, and charts to examine poverty tendencies and related macroeconomic factors in Nepal (Kumar et al., 2024).

5. Review of literature

5.1 Theoretical review

Classical Theory of Poverty (CTP)

The Classical Theory of Poverty (CTP) posits that poverty is a result of low productivity and population pressure on limited resources. Classical economists such as Thomas Malthus argued that population growth tends to increase faster than food production, leading to low per capita income and widespread poverty. According to this theory, poverty is a natural outcome when economic resources fail to keep pace with population growth. In the context of Nepal, where a significant portion of the population relies on subsistence agriculture with limited land and low technological inputs, the classical explanation remains relevant. High dependency ratios and fragmented landholdings in rural areas have constrained productivity and income growth, thereby contributing to persistent poverty (Shahi, 2020).

Keynesian Theory of Poverty (KTP)

The Keynesian Theory of Poverty (KTP) links poverty to unemployment and insufficient aggregate demand in the economy. John Maynard Keynes argued that market mechanisms alone cannot ensure full employment, especially during periods of economic slowdown, and that government intervention is necessary to stimulate investment and employment. Poverty, from this perspective, arises when large sections of the population remain unemployed or underemployed. In Nepal, this theory helps explain poverty resulting from limited industrialization, weak manufacturing sectors, and inadequate public and private investment. Scholars such as Todaro and Smith emphasize that developing countries often experience



“jobless growth” where economic growth does not translate into sufficient employment, thereby sustaining poverty (Gyanwali, 2020).

Structural Theory of Poverty (STP)

The Structural Theory (ST) explains poverty as the outcome of long term structural weaknesses in an economy, such as unequal land distribution, regional imbalance, weak institutions, and limited industrial diversification. Structural economists argue that poverty persists when economic systems favor certain regions or groups over others. In Nepal, structural factors such as geographic isolation, poor infrastructure in remote areas, and dependence on remittances have contributed to regional inequality and chronic poverty in provinces like Karnali and Sudurpaschim. This theory emphasizes the need for structural reforms, inclusive growth, and balanced regional development to achieve sustainable poverty reduction (Adhikari, 2020).

5.2 Empirical review

Empirical studies on poverty in Nepal reveal a consistent decline in poverty levels over the past two decades, though significant regional, social, and structural disparities persist. Using data from the Nepal Living Standards Survey (NLSS), finds that poverty reduction in Nepal has been uneven, with rural households experiencing higher levels of deprivation compared to urban households due to low agricultural productivity, limited access to education, and inadequate health services, employing the Multidimensional Poverty Index (MPI), shows that provinces such as Karnali and Sudurpashchim have the highest poverty incidence, while (Bhattarai, 2016). Bagmati and Gandaki provinces record comparatively lower poverty levels, reflecting disparities in infrastructure, employment opportunities, and public services.

Poverty is generally understood in macroeconomics as a condition arising from low income, unemployment, unequal distribution of resources, and weak economic structures. In developing countries like Nepal, poverty is closely linked with low productivity, especially in agriculture, limited industrial development, and inadequate employment opportunities. When economic growth fails to generate sufficient jobs, a large section of the population remains underemployed or engaged in low-paying informal work, which increases the incidence of poverty. Insufficient investment in education and health further limits an individual's productive capacity, reducing their ability to earn a higher income and escape poverty (Bhattarai, 2016).

Poverty is also viewed as a multidimensional phenomenon that goes beyond income deprivation. Limited access to education, healthcare, safe drinking water, sanitation, and decent housing contributes significantly to poor living standards. Even when household income improves, lack of basic services can keep people trapped in poverty-like conditions.

In Nepal, geographical constraints, regional imbalance, and social exclusion have reinforced poverty, particularly in rural and remote areas. Economic shocks such as illness, unemployment, natural disasters, and price instability can easily push vulnerable households into poverty, indicating that poverty reduction gains remain fragile (Gyanwali, 2020). Therefore, from a theoretical perspective, poverty in Nepal is seen as an outcome of interrelated economic, social, and structural factors, suggesting that sustainable poverty reduction requires



inclusive economic growth, employment creation, human development, and effective social protection (Adhikari & GC, 2020).

Shahi (2020) examines household vulnerability to poverty, emphasizing that economic shocks such as illness, unemployment, and natural disasters frequently push near-poor households into poverty, indicating that poverty reduction gains remain fragile.

Next, Paudel (2024) argues that the macroeconomic level demonstrates that remittance inflows have significantly contributed to poverty reduction by increasing household consumption, though they caution that excessive dependence on remittances may limit domestic job creation and long-term growth.

Adhikari's (2020) study on the impact of economic growth on poverty alleviation focuses on labour market dynamics and argues that widespread informal employment and low wages have trapped a large segment of the population in working poverty despite economic growth. Recent evidence from NLSS-IV (2022/23) confirms that national poverty has declined to around one-fifth of the population; however, inequality across regions, occupations, and social groups continues to challenge inclusive development. These empirical findings collectively suggest that poverty in Nepal is influenced by macroeconomic growth, labour market structure, remittance dependency, and regional inequality.

Poverty is not only the severe economic condition of people, but it is also the cultural, ethical, social, political, psychological, and economic imperative of mankind. The MPI shows that the 28.6% of the people of Nepal are still multi-dimensionally poor, meaning that their lives are battered by several deprivations simultaneously (Gyanwali, 2020; Lamichhane, 2025).

6. Data presentation and analysis

Table 1

Poverty-related indicators in Nepal

S.N.	Topic	Rate (%)	Meaning
1	National Poverty Rate	20.3	Population living below the national poverty line
2	Multidimensional poverty	17.4	People deprived in health, education, and living standards
3	Rural Poverty Rate	24.7	Higher Poverty incidences in rural areas
4	Urban Poverty Rate	15.5	Lower poverty incidences in urban areas

Source: Central Bureau of Statistics CBS), Nepal Living Standards Survey (NLSS III) & Multidimensional Poverty Index (MPI), 2021.

Table 1 presents key poverty indicators in Nepal, including national, rural, urban, and multidimensional poverty rates.

Figure 1

Poverty rate indicators in Nepal

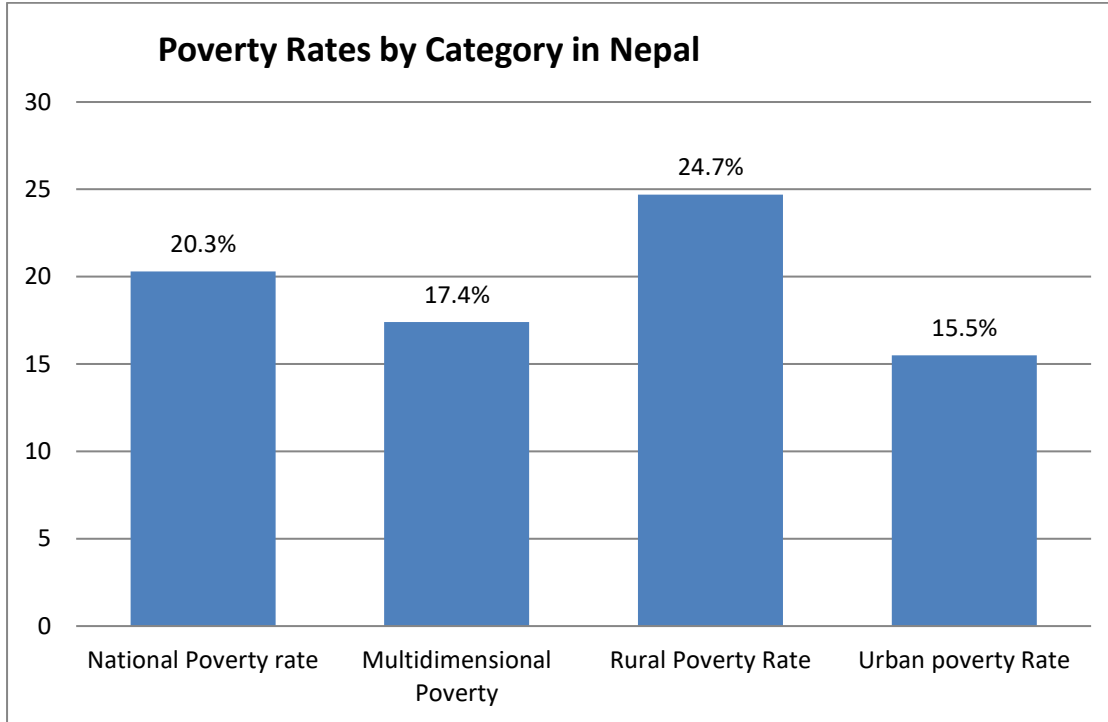


Figure 1 illustrates the poverty rates in Nepal under four different categories: national poverty, multidimensional poverty, rural poverty, and urban poverty. The national poverty rate stands at 20.3 percent, indicating that about one-fifth of Nepal’s population lives below the national poverty line. Multidimensional poverty, measured at 17.4 percent, shows deprivation not only in income but also in education, health, and living standards.

The figure further reveals a significant disparity between rural and urban areas. The rural poverty rate (24.7 percent) is considerably higher than the urban poverty rate (15.5 percent), reflecting unequal access to employment opportunities, infrastructure, education, and basic services in rural regions. This rural-urban gap highlights the structural challenges of development in Nepal. Overall, the figure concludes that although poverty has declined at the national level, it remains more severe in rural areas and persists in multiple dimensions. This indicates the need for targeted poverty reduction policies focusing on rural development, education, healthcare, and livelihood generation.

Table 2

Poverty headcount trend in Nepal

S.N.	Year (AD)	Poverty Rate (%)	Meaning
1	1995-1996	41.76	Nearly two in five Nepalis lived below the national poverty line, indicating high poverty levels across the country.
2	2003-2004	30.85	Significant reduction due to economic growth, remittances, and early poverty alleviation programs.
3	2010-2011	25.16	Continued decline, about one quarter of the population still lived below the poverty line, showing progress but persistent challenges.
4	2022-2023	20.27	National poverty has reduced to about one-fifth of the population. Progress continues, but rural and disadvantaged regions remain vulnerable.

Source: Nepal Living Standards Survey (NLSS III & IV), CBS 2021–2023

Table 2 dreamily illustrates the declining trend of poverty in Nepal from 1995 to 2023, along with the meaning of each rate.

Figure 2

Poverty headcount trend in Nepal

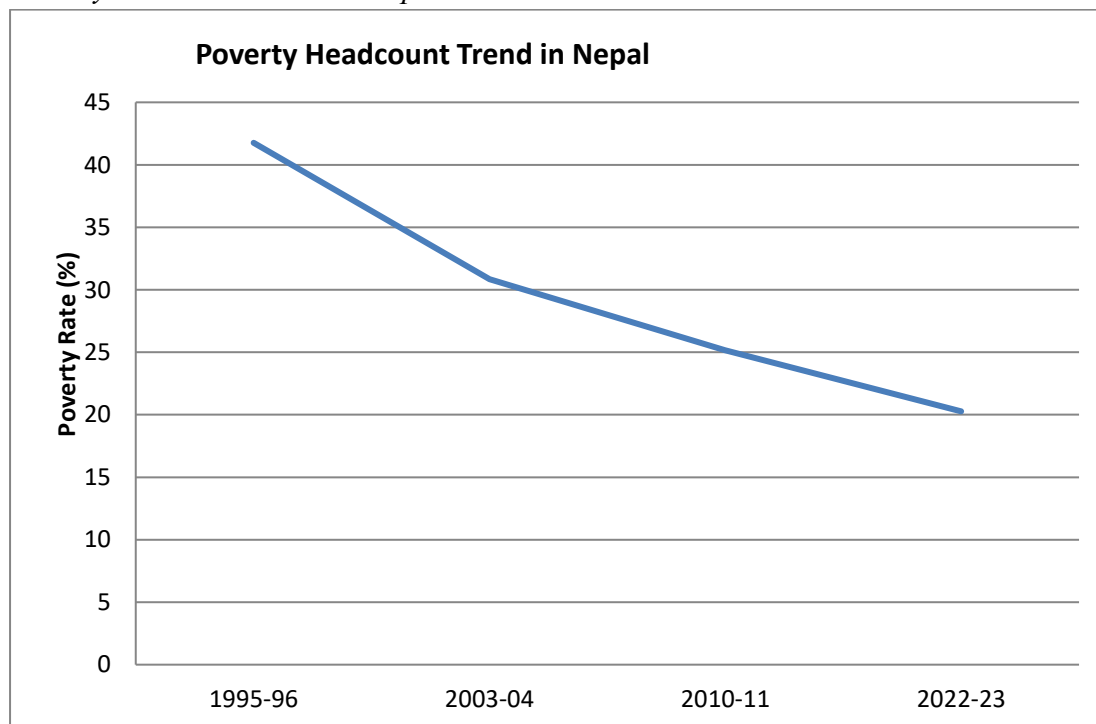


Figure 2 illustrates the declining trend of poverty in Nepal over the past three decades. In 1995–96, the national poverty headcount ratio was approximately 41.76 percent, indicating that nearly two in five people lived below the national poverty line. By 2003–04, poverty had fallen



to 30.85 percent, reflecting the impact of early poverty alleviation programs, economic growth, and remittance inflows. The downward trend continued, reaching 25.16 percent in 2010–2011, showing sustained improvement in income, education, and health outcomes.

The most recent data from 2022–2023 indicates that the poverty rate has further decreased to 20.27 percent, highlighting the long-term success of development initiatives. Despite this progress, poverty remains concentrated in rural, mountainous, and marginalized communities. The figure emphasizes that while overall poverty has declined, targeted policies are needed to address persistent regional disparities and multidimensional deprivation.

6. Discussion and conclusion

Discussion

This study analysed the problem of poverty in Nepal from a macroeconomic perspective, highlighting both its causes and trends over recent decades. Despite gradual economic progress, poverty remains a persistent challenge, especially in rural and marginalized regions. The research identified key macroeconomic factors contributing to poverty, including low income levels, unemployment, income inequality, dependence on subsistence agriculture, and limited access to education, healthcare, and basic infrastructure (Sharma, 2024). The study also examined multidimensional aspects of poverty, showing that deprivation is not limited to income but extends to health, education, and living standards (Poudel & Upadhyay, 2025). Empirical evidence from sources such as the Nepal Living Standards Survey (NLSS) and Multidimensional Poverty Index (MPI) revealed that while national poverty has declined from 41.76 percent in 1995–96 to 20.27 percent in 2022–2023, significant rural–urban and regional disparities persist (Pasa et al., 2024). The analysis demonstrated that structural weaknesses in the economy, regional imbalances, and over-reliance on remittances continue to challenge inclusive poverty reduction.

Additionally, the study endorses that although Nepal has made notable progress in reducing poverty, targeted policies and sustained macroeconomic interventions are essential to achieve equitable development, which is a similar finding to the study (Dhungana & Dhakal, 2025). Similarly, economic growth, remittance inflows, and social protection programs have contributed to a notable decline in national poverty levels, which is in line with findings of the study (Kumar & Paudel, 2024). Rural areas and disadvantaged communities continue to experience higher deprivation (Poudel & Upadhyay, 2025).

Conclusion

The study shows that poverty in Nepal remains a multidimensional and complex issue shaped by both structural and macroeconomic factors. Over 20 percent of individuals are impoverished. Even though they contribute significantly to the economy, particularly via unpaid care and domestic work, women and girls, marginalized and indigenous peoples, and people living in rural locations are more likely to be impoverished.

The study revealed that effective poverty reduction requires comprehensive strategies that combine employment generation, human capital development, infrastructural improvement, and inclusive economic policies. Structural reforms, particularly in agriculture, industrial



diversification, and regional development, are crucial to address persistent inequalities. The study underscores that sustainable poverty alleviation is not solely a matter of increasing income but also improving access to education, healthcare, and basic services, ensuring that all segments of society benefit from development. Therefore, there is a need to contextualize macroeconomic policy, income generation, people empowerment, and financial inclusion through microfinance for poverty alleviation.

Accordingly, coordinated government action, community participation, access to finance (A2F), financial literacy, and policy interventions are essential to reduce poverty and improve the living standards of the low-income and deprived people. This therefore suggests that the government of Nepal should put in place policies that support income generation, financial inclusion, SMEs development, empowerment, entrepreneurship development, and improvement in health, education, and a conducive environment for agricultural development. A conducive business environment will promote the start-up business that strengthens the people's income, which alleviates potential poverty in the Nepalese context.

Policy implications

This research draws a foundation for conceptual lenses, logical explanations, trends, and best practices to alleviate poverty and generate income. Further research can be carried out in this subject area by incorporating primary data collection methods and finding out directly from the poor and marginalised societies their experiences and expectations to reduce poverty levels. The findings of the study could be useful for policymakers, regulators, the Central Bank, BFIs, economists, sociologists, scholars, and other stakeholders to craft a strategic framework for poverty alleviation.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Conflicts of Interest: The authors declare no conflict of interest.



References

- Adhikari, R., Shahi, B., & GC, S. (2020). Household vulnerability and poverty in Nepal. *Economic Journal of Nepal*, 43(3), 1–18.
- Bent, Bogale Berhanu. 2019. The Impact of Microfinance on Poverty Reduction and Women's Empowerment. In *Rais Collective Volume–Economic Science*. Beltsville: Scientia Moralitas Research Institute, USA, pp. 72–86. [[Google Scholar](#)], <https://doi.org/10.9756/bp2018.1012/17>
- Bhattarai, K. (2016). *Multidimensional poverty in Nepal: Measurement and analysis*. *Economic Literature*, 14(1), 45–62. <https://doi.org/10.3126/el.v12i0.14882>
- Dhakal, C. P., Dhungana, P., & Dhakal, A. (2025). Migration and remittances: Assessing their role in socioeconomic development in Nepal (2000–2023). *Journal of Development Review*, 10(1), 76–87. <https://doi.org/10.3126/jdr.v10i1.75893>
- Dhungana, B.R. (2021). *Microfinance*. Kathmandu: Asmita Books Publisher & Distributors (P) Ltd.
- Gyanwali, S. (2020). Provincial disparity and poverty in Nepal. *Pragya: Journal of Humanities and Social Sciences*, 4(2), 67–82. <https://doi.org/10.3126/pragya.v7i1.35107>
- Kumar, N. K., & Paudel, O. (2024). The impact of GDP growth, remittance and urbanization on poverty reduction in Nepal. *Janapriya Journal of Interdisciplinary Studies*, 13(1), 182–202, <https://doi.org/10.3126/jjis.v13i1.75582>
- Lamichhane, B.D. (2025). *Fundamentals of Microfinance*. Kathmandu: Bhundipuram Prakashan Pvt.Ltd.
- Pasa, R. B., & Kharel, S. (2024). Effect of remittance on household welfare in Nepal. *Panauti Journal*, 2 (1), 57–75. <https://doi.org/10.3126/panauti.v2i1.66581>
- Poudel, O., & Upadhyay, C. R. (2025). Remittances, migration and inequality: Unraveling Nepal's poverty dynamics. *Journal of Tikapur Multiple Campus*, 8(8), 113–140. <https://doi.org/10.3126/jotmc.v8i8.75956>
- Prasad, B. (2014). Structural causes of poverty and inequality in Nepal. *Nepal Economic Review*, 6(2), 15–31.
- Sharma, S., & Adhikari, D. (2020). Employment structure and poverty in Nepal. *Quest Journal of Management and Social Sciences*, 3(1), 23–39.
- Sharma, Y. N. (2024). Transition of the labour market in Nepal: Challenges and opportunities. *Interdisciplinary Journal of Management and Social Sciences*, 5(2), 236–251, Doi: <https://doi.org/10.3126/ijmss.v5i2.69462>

Views and opinions expressed in this article are the views and opinions of the author(s), *NPRC Journal of Multidisciplinary Research* shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.