

Beyond Subsistence: Neoliberal Reforms and the Political Economy of Rural Transformation in Nepal

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Abstract

The penetration of capitalist and neoliberal economic policies has significantly transformed Nepal's peasant economy, resulting in varied assessments of their socio-economic consequences. This study critically examines these transformations, with particular focus on changes in rural livelihoods, land tenure, and agricultural productivity over the period 1961–2023. To this end, a quantitative research design is employed, analyzing longitudinal secondary data from national and international agencies, including the Central Bureau of Statistics and World Bank Development Indicators, through time-series and pre-post comparative methods. Descriptive statistics are applied to clearly elucidate trends in landholding patterns, input usage, crop yields, household indebtedness, landlessness, income inequality, and agricultural employment. The findings reveal a marked decline in landholding size and the agricultural sector's contribution to GDP, which occurs alongside increased rural vulnerability despite observable productivity gains. Furthermore, the growing reliance on remittances underscores a significant shift in livelihood strategies away from agriculture. Taken together, these structural changes underscore the persistence of dispossession and socio-economic disparities, which have been exacerbated by neoliberal reforms. Consequently, the study emphasizes the urgent need for agrarian reforms that prioritize equitable land distribution, improved rural credit access, and comprehensive social protection.

Keywords: peasant economy, neoliberalism, landholding, agricultural productivity, social inequality

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1. Introduction

As of 2024, around 1.3 billion people are directly engaged in agriculture globally—900 million on-farm and 400 million off-farm (World Bank, 2024). Asia leads with over 800 million agricultural workers, followed by Africa, Latin America, and Europe/North America. About 70–80% of global farmland is managed by 500 million family farms, producing over 80% of the world’s food. In Nepal, 62% of households are engaged in agriculture (Central Bureau of Statistics, 2022). The average landholding has declined to 0.55 hectares, and only 45% of households meet food needs from farm income.

The peasant economy, traditionally grounded in subsistence agriculture, communal land tenure, and localized production–consumption systems, has long constituted the backbone of rural societies across the Global South (Netting, 1993). However, these agrarian structures are increasingly under pressure from the expansive forces of capitalism and neoliberalism. Capitalism, broadly defined, is an economic system characterized by private ownership of the means of production, capital accumulation, and the pursuit of profit through market exchange (Wood, 2002). Meanwhile, neoliberalism, emerging as a dominant ideological and policy paradigm since the late twentieth century, emphasizes deregulation, privatization, free trade, and the reduction of state intervention in economic affairs (Harvey, 2005). Together, these forces have profoundly reshaped agrarian societies worldwide, disrupting traditional livelihoods and social relations.

While some scholars argue that capitalist development has contributed to agricultural modernization, technological advancement, and enhanced market access (Ellis, 2000; Pingali, 2007), critical perspectives caution against the often-detrimental consequences of capitalist penetration into rural economies. This process, conceptualized as “accumulation by dispossession,” involves the systematic marginalization of smallholders through land dispossession, exploitative labor regimes, and incorporation into unequal global value chains dominated by agribusiness and finance capital (Harvey, 2003; Bernstein, 2010). As McMichael (2009) notes, rather than uplifting peasants, capitalist expansion frequently subordinates them to market logics that prioritize profit over livelihood security.

Moreover, neoliberal reforms have intensified these contradictions. Instituted widely through Structural Adjustment Programs promoted by international financial institutions, neoliberal policies have dismantled crucial state supports for agriculture such as subsidies, extension services, rural credit, and price stabilization mechanisms (Patnaik, 2007; Bello, 2009). Consequently, these policy shifts exposed peasant producers to increasingly volatile global markets, increased rural indebtedness, and exacerbated social inequalities (Akram-Lodhi & Kay, 2010). Although neoliberalism celebrates entrepreneurialism and market freedom, its impact on rural communities has

often been exclusionary, disproportionately affecting historically marginalized groups (Harvey, 2005).

Nepal's agrarian sector, embedded in a distinct socio-political context and undergoing reforms since the 1990s, mirrors these regional trends but also exhibits unique characteristics. Market liberalization and state withdrawal from rural development have contributed to land fragmentation, feminization of agriculture, and increased rural outmigration (Paudel & Andersen, 2010; Adhikari & Hobley, 2015). Furthermore, the growing reliance on remittances has transformed rural livelihoods, reconfiguring socio-economic relations and local power structures (Thieme & Wiss, 2005). Despite some opportunities emerging from neoliberal restructuring, such as access to new markets and investment, these changes have deepened inequalities, vulnerability, and social dislocation in Nepal's countryside.

Existing literature highlights these transformations, yet frequently addresses them in isolation, lacking integrated, longitudinal analyses that connect global economic paradigms with localized agrarian realities. Moreover, Nepal's specific political economy and cultural diversity necessitate a nuanced study that situates capitalist and neoliberal restructuring within the country's unique social fabric and governance contexts. This gap in scholarship motivates the present research, which employs secondary time-series data to provide a comprehensive, context-sensitive examination of the capitalist and neoliberal impact on Nepal's peasant economy. This study contributes both theoretically and practically. Theoretically, it enriches agrarian political economy by integrating Nepalese realities into broader global debates on capitalism and neoliberalism. Practically, it offers policymakers, development agencies, and civil society critical insights into the evolving vulnerabilities, adaptive strategies, and livelihood transformations among Nepal's smallholder farmers. Such insights are essential for formulating inclusive rural development policies that promote equity, resilience, and sustainable livelihoods.

2. Literature Review

2.1 Understanding Key Concepts

Understanding the transformation of Nepal's rural economy requires a clear grasp of three interrelated concepts: peasant economy, capitalism, and neoliberalism. These frameworks help explain how traditional agrarian systems are being restructured under the influence of global economic forces.

The *peasant economy* refers to a system of subsistence-oriented agricultural production primarily organized at the household level, where family labor is central and production is mainly for consumption rather than profit. Peasants are a distinct social group positioned between tribal and industrial societies. This dual character is what Shanin (1973) terms the "part-society" nature of peasant communities, in which local

production coexists with external economic demands. Furthermore, Chayanov (1925) emphasized that peasant households operate according to a unique logic that balances labor inputs and consumption needs, rather than maximizing profits. Consequently, this leads to economic behaviors such as risk-aversion, diversified production, and reliance on family labor rather than wage workers (Ellis, 1988). Polanyi's (1957) substantivist perspective additionally highlights that peasant economies are embedded in social relations—kinship, reciprocity, and redistribution—rather than governed solely by market forces.

Capitalism, in contrast, is an economic system where production is privately owned, labor is compensated through wages, and profits are generated primarily through market transactions. Marx (1867) framed capitalism as driven by the extraction of surplus value, thereby transforming land, labor, and agricultural production into commodities. Scholars like Wood (2002) and Bernstein (2010) identify key capitalist mechanisms that include the commodification of land (Harvey, 2003), the shift from subsistence polyculture to market-oriented monocropping (Pingali, 2007), and proletarianization, which refers to peasants losing land access and becoming wage laborer (Vong Nanthavong et al., 2022). Importantly, this process is uneven and often incomplete, resulting in hybrid agrarian structures where capitalist and pre-capitalist elements coexist (Burawoy, 1985; Bernstein, 2010). Moreover, persisting semi-feudal relations in land tenure and labor complicate this transformation (Blaikie et al., 1980).

Neoliberalism is a political-economic ideology advocating market liberalization, deregulation, privatization, and reduced state intervention. Emerging globally in the late twentieth century, it aims to restore market dominance and class power (Harvey, 2005). In agrarian settings, neoliberalism often entails the withdrawal of state supports such as subsidies and extension services (Patnaik, 2007), as well as exposing farmers to global competition through trade liberalization (McMichael, 2009) and the financialization of agriculture, which links producers to volatile global markets (Akram-Lodhi & Kay, 2010). Consequently, these reforms have led to agrarian restructuring, increased vulnerability, and erosion of traditional social safety nets (Adhikari & Hobley, 2015). Structural Adjustment Programs in the 1990s epitomize this shift, dismantling key protections and exacerbating rural livelihood challenges (Paudel & Andersen, 2010).

Nepal's rural economy is shaped by the coexistence of traditional peasant practices, capitalist forces, and neoliberal reforms. While peasant households prioritize subsistence and social cohesion, capitalist mechanisms like land commodification and market-oriented production, alongside neoliberal policies, expose them to global market pressures and vulnerability. This hybrid transformation highlights that rural development must balance economic integration with the protection of local livelihoods and social networks.

2.2 Theoretical Contestation

The penetration of capitalism and neoliberalism into peasant societies has been theorized through multiple critical lenses, each unveiling distinct dimensions of agrarian transformation. Central to this discourse is the tension between perspectives that emphasize structural dispossession and those that highlight peasant agency and adaptation, reflecting the complexity of agrarian change under global capitalism.

Marxist political economy, grounded in Marx's (1867) concept of primitive accumulation, sees capitalist development as an extractive force that dismantles traditional peasant systems. Through enclosures, market dependency, and conversion of subsistence producers into wage laborers, capitalism disrupts rural life. Lenin (1899) and Kautsky (1899) further illustrated how capitalist agriculture creates rural class divisions. Bernstein (2010) argues that neoliberal globalization intensifies this process, incorporating peasant households into exploitative global value chains. Harvey's (2005) notion of *accumulation by dispossession* reinforces this by showing how neoliberalism—through privatization and commodification of commons—deepens rural subordination to capital, often resulting in precarity and displacement.

In contrast, Chayanovian theory (Chayanov, 1925) emphasizes the labor–consumption balance of peasant households, where production is guided by family needs rather than market imperatives. This framing presents the peasant economy as rational and adaptive. Scott's (1976) *moral economy* complements this by revealing how peasants use risk-averse strategies—like crop diversity and communal labor—to resist market volatility and ecological threats. These perspectives highlight how peasant systems persist and adapt within capitalist environments.

Feminist political ecology adds further depth, particularly by revealing the gendered impacts of agrarian change. Scholars like Agarwal (1994) and Federici (2012) show how neoliberal reforms disproportionately burden women—due to male migration, landlessness, and loss of access to commons—while deepening gendered divisions of labor and care. These analyses demonstrate that capitalist restructuring also transforms rural gender relations and domestic economies.

The *depeasantization* debate bridges these perspectives. Bryceson (2000a, 2000b) contends that capitalist development dissolves peasant livelihoods through diversification and declining farming identities. However, others counter this trajectory. Van der Ploeg (2013) and Borras (2012) document “repeasantization” through agroecology and collective resistance. Rigg (2006), using the term “post-peasant,” describes how rural households blend subsistence, migration, and informal labor under neoliberalism. Together, these views emphasize multiple, contested pathways of rural transformation.

Overall, theoretical engagement with peasant change under capitalism reveals a dialectical process: while market integration disrupts subsistence systems, it also generates spaces for adaptation and resistance. The key challenge lies in explaining why some communities are dispossessed while others reshape capitalist relations for autonomous survival—pointing to a dynamic, uneven terrain of negotiation and reinvention.

2.3 Global and National Policy Shifts

The policy frameworks that have shaped the transformation of peasant economies under capitalism and neoliberalism are closely linked to global financial institutions and national policy shifts since the 1980s. Structural Adjustment Programs (SAPs) initiated by the International Monetary Fund and World Bank in the Global South enforced fiscal austerity, trade liberalization, and the withdrawal of state subsidies from agriculture (McMichael, 2005; Clapp, 2016). These reforms prioritized macroeconomic stabilization and export-led growth, systematically dismantling the protective mechanisms that had supported smallholder farmers, including price supports, extension services, and rural credit facilities. As a result, peasants were increasingly exposed to volatile global markets without state buffers, intensifying their economic precarity and marginalization (Akram-Lodhi & Kay, 2010).

In parallel, neoliberal agricultural policy promoted land tenure reforms that encouraged the commodification and privatization of land. Influenced by the World Bank's land policy guidelines, countries across Asia, Africa, and Latin America adopted policies that prioritized formal titling and individual ownership, often undermining customary rights and collective forms of landholding (Borras et al., 2012; Hall et al., 2015). These measures facilitated large-scale land acquisitions by agribusiness and investors, contributing to processes of land grabbing and dispossession. The institutionalization of these reforms was legitimized through discourses of efficiency, productivity, and modernization, aligning national development agendas with global capitalist imperatives (Zoomers, 2010; Cotula, 2013).

In Nepal, policy shifts since the 1990s reflect these global trends. Following its accession to the World Trade Organization in 2004, Nepal adopted liberalization policies that prioritized market integration over subsistence security (Paudel, 2016). The Agriculture Perspective Plan (APP, 1995–2015) and subsequent Agriculture Development Strategy (ADS, 2015–2035) emphasized commercialization, contract farming, and public–private partnerships, with limited attention to land redistribution or smallholder resilience. While these policies aimed at boosting agricultural growth, they have often marginalized peasants lacking access to capital, infrastructure, and secure tenure (Ghimire, 2013; Rimal, 2018). The promotion of agribusiness models and input-intensive farming has deepened class differentiation in rural areas, reinforcing the structural vulnerabilities of peasant households.

Thus, global and national policies under capitalism and neoliberalism have exposed Nepali peasants to market volatility, prioritized land privatization, and promoted commercialization. Programs like SAPs and strategies such as APP and ADS have marginalized smallholders, deepening rural inequalities and reinforcing structural vulnerabilities in Nepal's agrarian economy.

2.4 Empirical Review: Impact on Peasant Economy

The penetration of capitalist and neoliberal economic reforms into Nepal's rural landscape has produced divergent outcomes within the peasant economy. While some agrarian households have leveraged new opportunities for economic advancement, others have experienced growing precarity, marginalization, or limited transformation.

Empirical evidence suggests that capitalist integration has produced measurable gains for specific segments of the peasantry, particularly households with better access to infrastructure, market linkages, and financial capital. Rigg (2006), in a regional study of the Middle Hills and peri-urban zones, documents a gradual shift from subsistence farming to commercial agriculture among better-positioned households. Sharma and Shrestha (2022) report that vegetable producers in the outskirts of the Kathmandu Valley experienced a 5.3% annual income growth by supplying produce to urban markets. Similarly, Daniel's (2001) household survey indicates that rural non-farm employment—facilitated by liberalization policies—contributed to a reduction in absolute poverty for 22% of households. These studies collectively highlight that, under favorable conditions and with state investment in roads, irrigation, and credit, neoliberal reforms can offer viable alternatives to subsistence livelihoods.

Conversely, a substantial body of research points to increased vulnerability among smallholder farmers negatively affected by neoliberal restructuring. Uprety (2021), drawing on data from the Tarai region, finds that the adoption of hybrid seeds led to a 290% increase in input costs, while real crop prices declined by 18% between 2005 and 2015—forcing 61% of surveyed households into informal debt cycles. Blaikie et al. (1980) describe a pattern of “peripheral stagnation,” wherein 72% of villages located more than 15 kilometers from district centers remain economically marginalized and disconnected from growth benefits. National Census data (2021/22) further confirm a surge in rural landlessness—from 12% to 29% since 1995—despite falling national poverty rates. These findings suggest that neoliberal reforms have deepened spatial and class-based inequalities within rural Nepal, benefiting the well-connected while exacerbating the exclusion of already vulnerable communities.

Research also documents persistent resistance or insulation from capitalist transformation within certain peasant communities. Dahal's (1981) ethnographic study in the western hill districts indicates that 61% of households maintain subsistence-oriented production systems, prioritizing food security over market integration. A study

by Jha (2016) on Tharu communities in Bardia highlights cultural resistance to high-yield rice varieties, which were rejected due to concerns over ritual purity, despite potential income gains. Similarly, Blaikie et al. (1980) report that 68% of villages in the far-western region continue to depend on barter systems and remain largely untouched by market reforms. This body of evidence shows that such patterns are not merely byproducts of remoteness but represent deliberate and adaptive livelihood strategies shaped by historical experience, cultural norms, and the limited relevance of neoliberal incentives for these communities.

3. Research Gaps

The existing scholarship reveals three critical gaps that demand further empirical and theoretical exploration. First, although studies by Blaikie et al. (1980) and Uprety (2021) provide detailed accounts of the economic effects of neoliberal reforms, they lack intersectional analysis. Key mediating factors—such as gender dynamics in intra-household labor allocation, caste-based disparities in land access among Dalits, and the erosion of indigenous knowledge systems—are either underexplored or absent. This omission is particularly striking in Rigg’s (2006) otherwise nuanced livelihood analysis.

Second, the predominant reliance on cross-sectional data (e.g., National Census 2021/22; Daniel, 2001) limits the ability to assess temporal dynamics. For instance, while Sharma and Shrestha (2022) report a 5.3% annual income increase among peri-urban farmers, the lack of longitudinal tracking leaves it unclear whether these gains reflect sustained transformation or short-term advantage. This study addresses this gap by employing a longitudinal data analysis approach, using time-series data from 1960 to 2025 (where available), enabling a comprehensive assessment of long-term trends and structural changes in Nepal’s peasant economy.

Third, new challenges such as climate change impacts on commercial crops and the rise of digital marketplaces have received little attention in Nepal’s agrarian research. Despite early warnings from Ghimire (1992) about the vulnerability of peasant economies to external shocks, these contemporary issues remain largely unexplored. This gap hampers the development of policies that can effectively support sustainable and resilient rural livelihoods.

4. Objectives and Methodology

The key objective of this study is to critically examine how capitalist and neoliberal economic penetration has reshaped Nepal’s peasant economy. Specifically, the study explores the socio-economic transformations in rural livelihoods, land use, and agricultural productivity associated with these economic changes.

This study employs a quantitative research design combining longitudinal time-series analysis (see Kehr & Kowatsch, 2015) with a pre-post comparative framework to

examine the impacts of capitalist and neoliberal economic penetration on Nepal's peasant economy, specifically comparing periods before and after the 1990s reforms. Secondary data spanning from 1961 to 2023 were sourced from authoritative national and international agencies, including the World Bank, United Nations bodies, and Nepal's Central Bureau of Statistics, ensuring data reliability and validity.

Key socio-economic and agricultural indicators were extracted for specified intervals to enable robust trend analysis. Descriptive statistical methods facilitated the identification, comparison, and interpretation of significant changes over time. To complement the quantitative analysis, a systematic literature review was conducted, drawing on peer-reviewed studies and authoritative reports that address capitalist transformation, neoliberal reforms, and agrarian dynamics in Nepal and similar contexts. The study's positivist epistemological stance also prioritizes measurable economic shifts and evidence-based interpretation.

This following section presents findings on agricultural engagement and household profile, productivity gains vs. peasant vulnerability, dispossession and social stratification:

5. Findings

This section presents empirical evidence on long-term changes in Nepal's agrarian system, highlighting both macroeconomic transformations and micro-level rural dynamics. Drawing on time-series data, three major patterns are examined: agricultural engagement and household profile, productivity gains versus peasant vulnerability, and dispossession and social stratification.

5.1 Agricultural Engagement and Household Profile

Agriculture remains central to Nepal's economy, with 62% of households engaged in agricultural activities (CBS, 2022). However, disaggregated data on smallholder farmers by province is limited. The average household size among farming families has decreased from 5.4 persons in 2011/12 to 4.7 in 2021/22, reflecting demographic changes and possible migration patterns. Similarly, landholdings have consistently declined—from 1.1 hectares six decades ago to just 0.55 hectares in 2021/22—highlighting the growing fragmentation of farmland (CBS, 2022). Only 45% of households now meet their food needs through farm income, suggesting persistent food insecurity and underproductivity. Moreover, the proportion of farmers accessing credit for agriculture has dropped significantly, from 21.8% in 2011/12 to just 11.7% in 2021/22 (CBS, 2022), indicating reduced investment capacity or access barriers in rural finance. Thus, agriculture remains vital in Nepal, but shrinking landholdings, declining household sizes, limited access to credit, and persistent underproduction highlight growing challenges for smallholder farmers and rural food security.

5.2 Productivity Gains vs. Peasant Vulnerability

Nepal's agricultural sector has undergone profound transformation over the past six decades, marked by rising productivity, increased input use, and significant shifts in economic and livelihood patterns (see Table 1).

Table 1 reveals several significant trends in Nepal's agricultural development. First, regarding input intensification, fertilizer consumption increased dramatically from a minimal 0.08 kg/ha in 1961 to 9.89 kg/ha by 1980, then rose sharply to 40.09 kg/ha in 1995, eventually peaking at 115.33 kg/ha in 2020 before declining to 67.84 kg/ha by 2022. This pattern demonstrates not only the rapid adoption of chemical inputs but also their subsequent volatility in recent years.

Concurrently, cereal yields showed consistent improvement, rising from 1,846 kg/ha in 1961 to 1,920 kg/ha by 1990, then increasing further to 2,149 kg/ha in 2000, and ultimately reaching 3,218 kg/ha by 2022. While these yield gains indicate enhanced productivity, they occurred alongside important structural changes in the agricultural sector. Most notably, agriculture's contribution to GDP declined substantially from 64.6% in 1965 to 38.2% in 2000, and then to just 21.2% by 2023, reflecting the sector's diminishing economic importance.

Simultaneously, remittance inflows grew from being negligible in the early period to accounting for 1.5% of GDP by 1993, then expanding significantly to 14.9% by 2005, and ultimately reaching 27.6% by 2015 before stabilizing around 26.9% in 2023. This growth in remittances corresponds with the declining agricultural GDP share, suggesting a shift in rural livelihood strategies.

The temporal progression of these indicators reveals distinct phases of agricultural transformation. The pre-reform era (1960s–1980s) was characterized by gradual input adoption and modest yield improvements. The liberalization period (1990s–2000s) witnessed accelerated input intensification and the beginning of structural economic changes. Finally, the most recent phase (2010s–2023) shows both the peak of input dependence and emerging signs of instability in the agricultural production model, as evidenced by the fluctuating fertilizer application rates.

These quantitative patterns collectively document Nepal's transition from traditional, subsistence-oriented farming to modern, input-dependent agriculture, accompanied by significant changes in the sector's economic position and the livelihood strategies of rural households. The data particularly highlight the paradox of simultaneous productivity gains and growing vulnerability, as seen in the coexistence of rising yields with declining sectoral importance and unstable input regimes. The post-2015 volatility in fertilizer use, dropping sharply from its peak, raises important questions about the sustainability of this agricultural development model.

Table 1 *Agricultural Modernization Indicators*

Indicator	1960s–1980s (Pre-Reform)	1990s–2000s (Liberalization)	2010s–2023 (Neoliberal Peak)
Fertilizer Use (kg/ha)	0.08 (1961) → 9.89 (1980)	31.25 (1990) → 40.09 (1995)	115.33 (2020) → 67.84 (2022)
Cereal Yield (kg/ha)	1,846 (1961) → 1,920 (1990)	2,149 (2000)	3,218 (2022)
Remittances (% GDP)	0%	1.5% (1993) → 14.9% (2005)	27.6% (2015) → 26.9% (2023)
Agri GDP Share	64.6% (1965)	38.2% (2000)	21.2% (2023)

Note: Data compiled from World Bank (2025), World Development Indicators, and Central Bureau of Statistics (2022), Nepal.

Overall, Nepal's agricultural sector exhibits a complex trajectory of modernization, characterized by notable productivity gains alongside declining economic significance and increasing household vulnerability. These trends underscore the need for sustainable policies that balance input intensification, rural livelihoods, and long-term sectoral stability.

5.3 Dispossession and Social Stratification

Nepal's rural population has faced mounting economic vulnerability, with more households incurring debt and losing land despite successive reforms—particularly during the post-conflict period (see Table 2). Table 2 reveals intensifying trends of rural dispossession over the past three decades. Household debt among farmers rose from 60% in 1995/96 to 70% by 2003/04, a ten-percentage-point increase within a single survey interval. This rise reflects growing reliance on credit in the early reform years, likely linked to rising input costs and unstable agricultural returns. However, no comparable national data exist after 2004, constraining analysis of more recent debt patterns.

Landlessness followed a steady upward trajectory. Rural households without land increased from 12% in 1995 to 15% in 2001, then to 20% in 2011, and further to 29% by 2022. This near-doubling over 25 years signals deepening land insecurity despite legal reforms and decentralization initiatives. The sharpest growth occurred during the post-conflict restructuring phase (2011–2022), indicating unresolved issues in agrarian redistribution.

Income inequality, measured by the Gini coefficient, also widened. While data for the 1990s are unavailable, the coefficient was 32 in 2003, rose to 34 in 2011, and reached 36 by 2020. This rising inequality parallels the decline in agricultural livelihoods and the widening urban–rural divide, underscoring its structural nature.

The share of the population engaged in agriculture declined sharply—from 75.8% in 1980 to 60.1% in 2000, then to 50.3% in 2010, and just 43.4% by 2020. This sustained drop reflects both economic diversification and displacement from land-based livelihoods. The overlap of this decline with rising landlessness and inequality suggests that the transition has not been accompanied by secure livelihood alternatives for the rural poor.

Taken together, these indicators reveal a multi-dimensional pattern of dispossession—marked by increasing debt, land loss, declining agricultural employment, and worsening inequality. While the absence of updated household debt data limits understanding of the 2010s and 2020s, existing evidence points to deepening vulnerability across Nepal’s rural population.

Table 2 *Dispossession Indicators*

Indicator	1990s	2000s	2010s	2020s
Household Debt (% farmers)	60% (1995/96)	70% (2003/04)	No data	No data
Landlessness (% rural HH)	12% (1995)	15% (2001)	20% (2011)	29% (2022)
Gini Coefficient	No data	32 (2003)	34 (2011)	36 (2020)
Agri Employment (%)	75.8% (1980)	60.1% (2000)	50.3% (2010)	43.4% (2020)

Note: Data compiled from national household surveys and global indicators. Debt percentages refer to farmer households only. Source: Central Bureau of Statistics (NLSS 1996, 2004; Census 2011, 2021); World Bank (2021), *World Development Indicators*; ILO (2023), *ILOSTAT*.

Overall, the data illustrate that Nepal’s rural population has experienced growing economic vulnerability over the past three decades, marked by rising household debt, expanding landlessness, widening income inequality, and declining agricultural employment. These trends reflect a pattern of multi-dimensional dispossession, indicating that economic diversification and reforms have not adequately secured livelihoods for rural households. The findings highlight the need for targeted policies to

address land insecurity, reduce inequality, and provide sustainable alternatives for the rural poor.

6. Discussion

This study's findings strongly align with key theoretical frameworks explaining the transformation of Nepal's peasant economy under capitalism and neoliberalism. The steady increase in landlessness—from 12% in 1995 to 29% in 2022—supports Marxist political economy perspectives on dispossession (Marx, 1867; Harvey, 2005). The concept of *accumulation by dispossession*, in which neoliberal policies facilitate land commodification and marginalization, is clearly evident in Nepal's rural context. This trajectory also reflects Blaikie et al.'s (1980) observations of *peripheral stagnation* and the rising debt burdens documented by Uprety (2021), which together reveal the deepening structural vulnerabilities of peasant households. These patterns support Bernstein's (2010) critique that capitalist and neoliberal reforms often exacerbate inequalities rather than resolve them.

Conversely, documented gains in agricultural productivity—such as rising cereal yields and increased fertilizer use until 2020—align with Chayanovian theory (Chayanov, 1925) and Scott's (1976) notion of peasant agency and adaptation. These frameworks help explain how peasant households, despite structural constraints, adopt diverse strategies to sustain their livelihoods. This is consistent with Rigg's (2006) concept of the *post-peasant*, describing households that balance subsistence with market engagement.

Policy analyses of Nepal's Agriculture Perspective Plan (APP) and Agriculture Development Strategy (ADS) reveal a persistent gap between policy intentions and on-the-ground realities. While these policies emphasize commercialization and public-private partnerships (Paudel, 2016), they have failed to address rising landlessness, debt dependency, and income inequality. This outcome mirrors broader critiques of Structural Adjustment Programs (McMichael, 2005; Clapp, 2016), which caution that market-first reforms often undermine smallholder security and deepen exclusion. The study thus reinforces calls for Nepal's agrarian policies to be reoriented toward equity, redistributive justice, and sustainability (Ghimire, 2013).

Empirically, this study validates and extends prior findings while introducing new insights. It confirms the increase in rural debt and inequality documented in the Nepal Living Standards Surveys (NLSS) while highlighting post-2015 volatility in fertilizer use—a trend that earlier literature has not examined in depth. The persistence of rising landlessness, despite periodic land reform rhetoric, underscores that redistributive policies remain politically weak or co-opted. Meanwhile, case studies by Sharma and Shrestha (2022) on peri-urban farmers benefiting from commercialization are echoed

here, suggesting that access to infrastructure, credit, and supportive local governance critically shapes who benefits from neoliberal transitions.

Another important dimension concerns migration and remittance dynamics. Numerous studies (e.g., Seddon, Adhikari & Gurung, 2002; Maharjan et al., 2013) show that labor migration has become a key strategy for rural households coping with agrarian stress and land fragmentation. This study's data on increasing household debt, coupled with stagnant or declining agricultural returns, support these findings. They also indicate that remittances—while essential—are increasingly directed toward consumption and debt repayment rather than productive investment. This pattern aligns with Sugden (2017) argument that rural development in Nepal is influenced more by a remittance-dependent agrarian “exit” than by genuine structural transformation.

A significant contribution of this research lies in its longitudinal approach, using time-series data spanning six decades. Unlike previous cross-sectional studies (Daniel, 2001; Sharma & Shrestha, 2022), this extended analysis reveals not only gradual but accelerating trends of dispossession, inequality, and agricultural decline. The post-2015 decline and volatility in fertilizer use mark a new development, raising critical questions about the sustainability of Nepal's input-dependent agricultural system.

In sum, this study confirms and extends dominant theories and empirical evidence on Nepal's agrarian transformation. It highlights capitalism and neoliberalism's dual role in generating productivity gains for some while deepening dispossession and inequality for many. The findings also critique the limits of state policy and identify emerging risks to sustainability and food sovereignty. Collectively, these insights underscore the urgency of inclusive, redistributive, and context-sensitive rural development strategies that fully engage with the complexities of Nepal's evolving peasant economy.

In summary, Nepal's peasant economy has shifted from subsistence-based livelihoods to a landscape marked by both opportunities and vulnerabilities under capitalism and neoliberal reforms. While some households have benefited from commercialization and productivity increases, structural dispossession, debt burdens, and inequality persist, leaving many peasants insecure. Market-driven policy interventions, including the APP and ADS, have largely failed to address these inequities, highlighting the limitations of neoliberal growth models. The findings point to the need for inclusive, redistributive, and context-sensitive strategies that balance productivity with equity to ensure the long-term sustainability of Nepal's rural economy.

7. Conclusion and Policy Implications

This study set out to examine how capitalism and neoliberalism have shaped Nepal's peasant economy over recent decades, with a focus on land distribution, livelihoods, and structural transformation. Drawing on longitudinal data and secondary sources, it found that while agricultural productivity has improved in certain areas, the overall trajectory

is characterized by declining landholding sizes, reduced food self-sufficiency, and increased marginalization of smallholder farmers. These changes have weakened Nepal's agrarian base, heightened rural vulnerability, and increased dependence on remittances and off-farm labor.

The study's significance lies in its intersectional approach and use of long-term national data to critically analyze the erosion of the peasant economy. It contributes to an understanding of how development policies shaped by neoliberal logic can deepen existing inequalities. Future research should investigate micro-level impacts across caste, ethnicity, and gender, and explore alternative agrarian models that prioritize equity, food sovereignty, and sustainable livelihoods.

The findings underscore the urgent need for agrarian reforms that prioritize smallholders' land rights, access to credit, and food sovereignty. Given the declining landholding sizes and reduced reliance on agriculture for food security, policy frameworks should promote integrated rural development through investment in agro-based industries, cooperatives, and equitable land redistribution. Addressing the structural drivers of landlessness and migration will require ensuring inclusive access to resources and strengthening social protection mechanisms for rural households. A shift from neoliberal growth models toward equity-centered development planning is essential to revitalizing Nepal's peasant economy and fostering sustainable rural livelihoods.

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