

**NEPAL LIVING STANDARDS SURVEY
2003/04**

**STATISTICAL REPORT
VOLUME TWO**



**CENTRAL BUREAU OF STATISTICS
National Planning Commission Secretariat
His Majesty's Government of Nepal**

December 2004

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FOREWORD

It is a matter of great pleasure that Nepal Living Standards Survey (NLSS) was launched for the second time in 2003/04 and has been successfully completed. This report includes the detailed results of NLSS 2003/04 comparable with those of the first NLSS of 1995/96. I hope the findings of the survey will be very useful for planners, policy makers and researchers.

Poverty alleviation is the sole objective of the HMG/N Tenth Plan. Nationally representative household surveys like the NLSS - through reliable statistical results - can support the monitoring and evaluation of development projects. I firmly believe that we now have an excellent opportunity to use this wealth of information to evaluate the Tenth Plan/PRSP, MDGs and other related issues. I earnestly urge all researchers and analysts to come forward in the exploitation of this information for the maximum benefit of the country.

In the meantime, I would like to thank the World Bank and UK Department for International Development (DFID) for financial and technical assistance to this survey. I would also like to thank the NLSS Advisory Committee, NLSS Technical Committee, and the National and International Consultants/Experts for their invaluable contribution. Last but not the least, I would like to extend my thanks to all the staff of the Central Bureau of Statistics who have worked very hard and contributed a lot to make this survey a success.

*December 2004
Kathmandu*

*Shankar Prasad Sharma
Vice Chairman
National Planning Commission*

PREFACE

The Central Bureau of Statistics (CBS) is pleased to present volume II of the main results of the second Nepal Living Standards Survey 2003/04 (NLSS II). This report provides many useful insights into trends and levels of various aspects of socio-economic situation in Nepal in the last eight years. Volume I of the report covered eight chapters: Methodology (1), Demography (2), Housing (3), Access to Facilities (4), Education (5), Health (6), Maternity and Family Planning (7) and Migration and Children Away from Home (8). This volume II contains ten chapters: Agriculture (9), Consumption (10), Income (11), Employment Status (12), Wage Employment (13), Non-Farm Economic Activities (14), Remittances and Transfer Income (15), Household Loans (16), Adequacy of Consumption (17) and Government Services (18). Methodological approach taken in the analyses has sought to preserve comparability in results across two rounds of NLSS as much as possible.

I gratefully acknowledge the generosity of those respondents who participated in this survey by sparing their valuable time to answer our questions. The survey would not have been accomplished without their cooperation.

I extend my gratitude to the World Bank and UK Department for International Development (DFID) for providing technical and financial support for the survey and subsequent data analysis.

I would like to express my sincere thanks to the following individuals for their contribution at various stages of the survey and preparation of this report. Ms Giovanna Prennushi of the World Bank and Ms Frances Harper of DFID offered instrumental help and encouragement during the implementation of this project. Ms Elena Glinskaya, Mr Micheal M. Lokshin, and Mr Mikhail Bontch Osmolovski of the World Bank provided invaluable inputs and advice at important stages of data analysis. Consultants Mr Juan Munoz provided services during the sample design process and Mr Keshav Karmacharya during the household listing and cartography work. Mr Shoorabeer Paudyal wrote majority of the chapters in the report. Mr Dilip Parajuli supervised the CBS team on analysis of survey data and validation of generated results, and edited this report. All these inputs have helped to strengthen the capacity of the CBS in household surveys design, implementation and data analysis.

I sincerely appreciate all the field staffs who have worked hard to collect data. CBS's Household Survey Section (HSS) team was responsible for overall supervision of the survey. I appreciate the efforts the team has put into implementing the survey and producing the data analysis results. The members of the core team include Mr Anil Sharma, Mr Ishwori Prasad Bhandari, Mr Ram Hari Gaihre, Mr Guna Nidhi Sharma, Mr Binod Manandhar, Mr Kapil Prasad Timalsena and Mr Mohan Khajum Chongbang. The team was led by the chief of the Household Survey Section and the Project Coordinator, Mr Krishna Prasad Shrestha.

The NLSS dataset contains a wealth of information. Those interested in carrying out their own analysis of the dataset are encouraged to contact CBS for further information.

December 2004
Kathmandu

Tunga Shiromani Bastola
Director General
Central Bureau of Statistics

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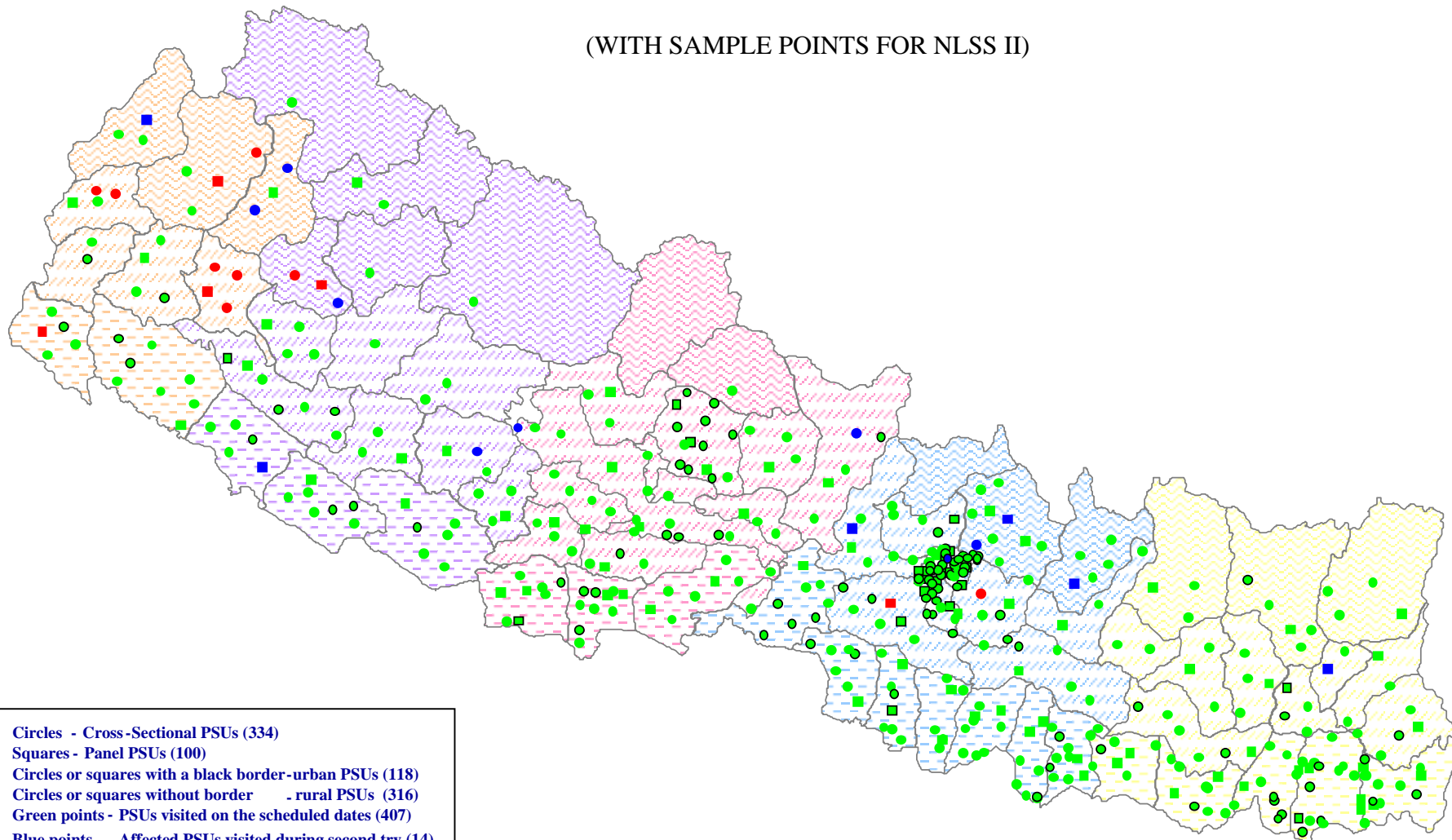
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ACRONYMS

BCHIMES	Between Censuses Household Information, Monitoring and Evaluation System
CBS	Central Bureau of Statistics (Nepal)
DFID	Department for International Development (United Kingdom)
ILO	International Labour Organization
Kath.	Kathmandu
LSMS	Living Standards Measurement Survey
MDGs	Millennium Development Goals
Mts.	Mountains
NLSS I	Nepal Living Standards Survey 1995/96
NLSS II	Nepal Living Standards Survey 2003/04
NPC	National Planning Commission
NPCS	National Planning Commission Secretariat
WB	The World Bank

MAP OF NEPAL

(WITH SAMPLE POINTS FOR NLSS II)



- Circles - Cross-Sectional PSUs (334)
- Squares - Panel PSUs (100)
- Circles or squares with a black border - urban PSUs (118)
- Circles or squares without border - rural PSUs (316)
- Green points - PSUs visited on the scheduled dates (407)
- Blue points - Affected PSUs visited during second try (14)
- Red points - PSUs that could not be visited (13)

EXECUTIVE SUMMARY

AGRICULTURE

The percentage of agricultural households has decreased from 83 in 1995/96 to 78 in 2003/04. Average size of holding has also decreased. On the other hand, the proportion of irrigated land area has increased sharply from 40 to 54 percent in the same period. The percentage of holdings operating less than 0.5 hectares of land (“small farmers”) increased, and of operating rented-in land only has increased marginally during the same period. The percentage of households growing summer vegetables has sharply increased.

CONSUMPTION

In nominal terms, per capita consumption has increased from NRs. 6,802 in 1995/96 to NRs. 15,848 in 2003/04. Growth in per capita consumption is 91 percent for the bottom quintile of the population and 177 percent for the top quintile over the last eight years: an impressive growth across all population groups. In 2003/04, the bottom twenty percent of the population accounts for a mere 6 percent of total consumption while the richest twenty percent of the population a whopping 53 percent. A large gap in consumption shares across population groups has become even worse during the past eight years.

INCOME

In nominal terms, average household income grew by more than 80 percent from 1995/96 to 2003/04. During the same period, per capita income increased from Rs. 7,700 to Rs. 15,162. Eight-year growth rate for the poorest twenty percent of population is 98 percent while that for the richest twenty percent of population is 110 percent. Other significant change in the past eight years is the composition of income sources: the share of farm income in total income has declined from 61 percent to 48 percent while that of non-farm income increased from 22 to 28 percent and of other sources including remittances increased from 16 to 25 percent.

EMPLOYMENT STATUS

Percent of people classified as employed has increased from 67 in 1995/96 to 74 in 2003/04, while the share of unemployed has decreased slightly and the group classified as inactive has decreased by 6 percentage points in the same period. Implied rate of labor force participation has increased and that of unemployment has decreased. Unemployment rate among 15-24 year olds remains high at 6 percent, while those among 10-14 year olds has decreased. Distribution of number of working hours per week for those employed has stayed fairly constant over the past eight years: about one-fourth in each of 1-19 hours and 20-39 hours and the remaining half in 40 hours and more. Finally, distribution of main sector of employment indicates that the share of agriculture, both wage and self-employment, has decreased from 1995/96 to 2003/04, while that of non-agriculture has not changed much. Extended economic work has a share of 9 percent. Incidence of child labor is estimated to be 31 percent among 5-14 year old children.

WAGE EMPLOYMENT

A remarkable change in wage employment in the last 8 years is probably the shift in shares of agriculture and non-agriculture sectors. Percent share of agriculture has decreased from 53 in 1995/96 to 37 in 2003/04 while that for non-agriculture has increased by 16 percentage points. Among non-agriculture industries, concentration of wage earners remains in manufacturing, construction and personal services, each of these gaining shares in 2003/04 relative to 1995/96 but only marginally. Another shift is seen in share of wage payment modality in both agriculture and non-agriculture sectors: percent of wage payees on daily basis has gone down while that for piece rate/contract or longer basis has gone up noticeably. Finally, average nominal daily wages have increased by 87 percent in

agriculture and by 80 percent in non-agriculture in the last eight years.

NON-FARM ECONOMIC ACTIVITIES

Between 1995/96 and 2003/04, percent of households operating non-farm enterprises has increased from 24 to 28. While trade had the largest proportion (52 percent) followed by manufacturing (30 percent) and services (14 percent) among non-farm activities eight years ago, these three industries have approximately equal shares of about 30 percent each now. 19 percent of these household enterprises have formal registration, an increase from 12 percent from the last survey. In nominal terms, per enterprise total revenues and expenditures have almost tripled while net revenues have more than doubled during this period. While there is no significant change in distribution of these enterprises by years of operation, there has been an increase in shares of such activities that operate for 10-12 months a year implying a reduction in seasonal dependence.

REMITTANCES AND TRANSFER INCOME

The proportion of households receiving remittances has increased from 23 percent in 1995/96 to 32 percent in 2003/04. Average amount of transfer earnings per recipient household has more than doubled in nominal terms in the same period. Other significant change is in the share of these remittance amounts by source: within Nepal and from India accounted for more than 75 percent of total transfer income eight years ago. Now, the share from other countries including the Gulf accounts for more than half of the share. For those households with positive remittance earnings, their share in total income has increased from 27 to 35 percent. Overall, total amount of remittance received has increased from about 13 billion NRs. to more than 46 billion NRs. in nominal terms, while per capita remittance for the entire country has more than tripled in nominal terms between two rounds of NLSS.

HOUSEHOLD LOANS

The proportion of households borrowing some kind of loan has increased from 61 percent in 1995/96 to 69 percent in 2003/04. Average number of loans per household stayed constant at 1.6 in the same period. Of all loans, the percentage borrowed from banks has decreased from 16 to 15, and that from money-lenders has decreased from 40 to 26, and from relatives increased from 41 to 55. By purpose of loans, the proportion for business or farm use and that for household consumption have decreased from 29 to 24 percent and from 49 to 47 percent respectively. Similarly, the proportion of loans with land/house collateral has decreased marginally across two rounds of NLSS.

ADEQUACY OF CONSUMPTION

Self-reported welfare has improved across all types of consumption over the last eight years. If we assign households reporting "less than adequate" consumption as self-reported "poor", such subjective poverty has decreased substantively from 1995/96 to 2003/04. In this period, inadequacy in food consumption has declined by 21 percentage points, housing by 23, clothing by 22, health care by 31, and schooling by 24 percentage points. Inadequacy in total income, however, shows a slight decline from an already very high rate in NLSS I.

GOVERNMENT FACILITY

NLSS II asks households to rate government facility they use as "good", "fair" and "bad". Majority of user households perceive government facilities as "fair". The proportion of households reporting "fair" on health facility is 61 percent, on education 71, on drinking water 52 and on telephone is 57 percent. "Good" ratings range from 25 percent on drinking water to 13 percent on roads. However, there is more variation in "bad" ratings: 15 percent on education and post office each and 44 percent on roads.

CHAPTER IX: AGRICULTURE

The percentage of agricultural holdings has decreased from 83 in 1995/96 to 78 in 2003/04. Average size of holding has also decreased. On the other hand, the proportion of area irrigated has increased sharply from 40 to 54 percent in the same period. The number of holdings operating less than 0.5 hectares of land has increased marginally. The percentage of holdings operating rented-in land only has also increased during the same period. The percentage of households growing summer vegetables has sharply increased.

Table 9.0: Summary statistics

<i>Description</i>	<i>Nepal Living Standards Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Agricultural households with land (percent of the total households)</i>	<i>83.1</i>	<i>77.5</i>
<i>Average size of agricultural land (in hectares)</i>	<i>1.1</i>	<i>0.8</i>
<i>Percentage of irrigated land area</i>	<i>39.6</i>	<i>54.3</i>
<i>Holdings operating less than 0.5 hectare (percent of total holdings)</i>	<i>40.1</i>	<i>44.8</i>
<i>Percentage of holdings operating renting-in land only</i>	<i>4.8</i>	<i>7.3</i>
<i>Percentage of holdings growing main paddy</i>	<i>76.0</i>	<i>76.1</i>
<i>Percentage of holdings growing summer vegetables</i>	<i>35.6</i>	<i>60.8</i>

9.1 Introduction

Agriculture is the major economic sector although it occupies less than one fifth of the total land area of the country. In this section, structural aspects of agricultural sector in Nepal are presented. The results of the NLSS 2003/04 are presented in terms of agricultural holding¹. Some of the characteristics of holders are also presented. A holder² is a person in the holding who exercises management control over the operations of the holding. The holder may or may not be the same person as the household head.

9.2 Characteristics of Household Head

Household head refers to the person (male or female) in the household who is acknowledged as head by other members of the household. The head has primary authority and responsibility for household affairs. In Nepal, the holder is usually the same person as the household head. As in the NLSS 1995/96, NLSS 2003/04 did not collect separate information on agricultural holders. The description in the following relates to the heads of agricultural households.

Table 9.1 reports selected characteristics of agricultural households in the country. Majority of households in Nepal are farm households. About 80 percent of the total households are agricultural households. Male headed agricultural households are dominant in the country. Nonetheless, past 8 years witnessed an increase in the number of female headed agricultural households by 7 percentage points (from 12 percent in 1995/96 to 19 percent in 2003/04). The percentage of female-headed households increases from the bottom quintile to the top consumption quintile.

On average, 45 percent of agricultural household heads are literate. Higher proportion of heads in the richer quintiles is literate relative to those from poorer quintiles. Literacy rates of the heads in the Central region are the lowest compared to other regions.

The estimated median age of the agricultural household heads is 45 years in the country. There is only a marginal variation on the median age of the heads in the country across development regions and rural areas (Table 9.1).

¹ An agricultural holding is an economic unit of agricultural production under single management comprising all livestock and poultry kept, and all land used wholly or partly for agricultural production purposes, without regard to title, legal form, or size. Agricultural holdings are grouped into two categories: land holdings and holdings with no land. Holdings with land are those cultivating at least 0.013 hectares (1458 sq ft or 8 *dhur*) in the case of Tarai and at least 0.0127 hectares (1369 sq ft or 4 *ana*) in the case of Hills and Mountains during an agricultural year. Holdings with no land, on the other hand, are those with two or more cattle (or the equivalent of other livestock and poultry birds) and operating less than 0.013 hectares of land for agricultural purposes.

² Here, the terms "holder", "farmer" and "grower" are used interchangeably. Similarly the terms "holding" and "agricultural household" have been used interchangeably.

9.3 Number, Area and Size of Agricultural Holdings

Out of the total households in the country, 78 percent are agricultural households with land³ and about two percent are agricultural households without land.

Of the total agricultural holdings, less than 10 percent are in the Mountains. The remaining 90 percent holdings are almost equally divided between Hills and Tarai (Figure 9.1). Among the development regions, the Central region has the highest number of agricultural holdings. Not surprisingly, the gap between the rural areas (93 percent) and the urban areas (7 percent) is very wide (Table 9.2).

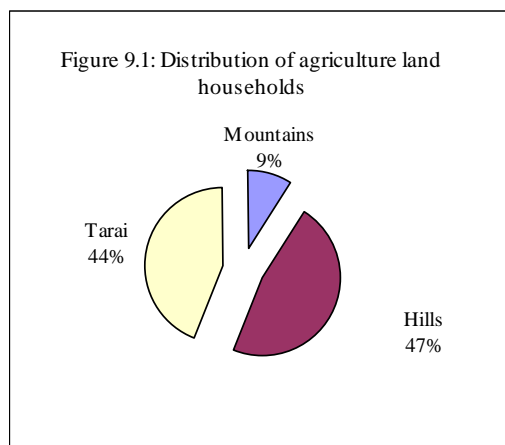
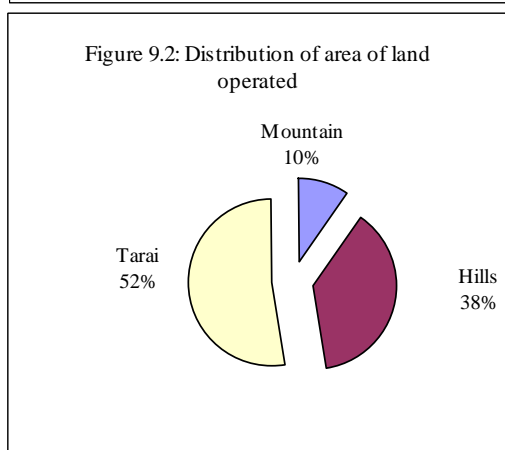


Table 9.2 also displays the information on distribution on agricultural land. In terms of area of holdings, the story is different. Of the total area of holdings, some 52 percent belongs to Tarai (Figure 9.2). Sufficient disparity also exists among development regions, ranging from 33 percent (East) to 9 percent (Far-west).



The overall share of the irrigated land area in total agricultural land area is 54 percent in the country (as compared to 40 percent in 1995/96). The share is higher in Tarai relative to other ecological zones.

The average size of agricultural land-area⁴ in the country is 0.83 hectare. This is slightly lower than that from 1995/96 NLSS (1.09 ha). As one would expect, average area of the agricultural land is higher for richer households compared to that for poor households (Table 9.2).

9.4 Land Fragmentation and Farm Size

Overall, average number of parcels⁵ of agriculture lands in the country declined from 3.8 in 1995/96 to 3.1 in 2003/04. It is higher for the West parts of the country and the Mountains ecological zone (Table 9.2).

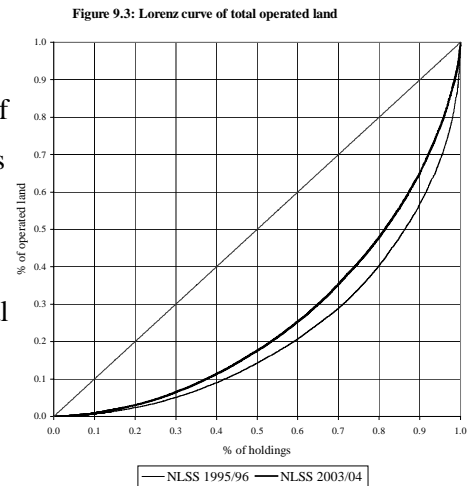
³ Agricultural households with land are those who have cultivated at least 0.013 hectares (see footnote 1).

⁴ Average size of agricultural land is the mean area of agricultural land per agricultural household with land.

⁵ Parcel (*kitta* in Nepali) is generally defined as a contiguous piece of land (physically separated from others' land) belonging to the area operated by a household. A parcel may consist of one or more adjacent plots or field.

Table 9.3 reveals that a majority of the agricultural households depends on small farm size for cultivation. There are 45 percent of small farmers (operating less than 0.5 ha of land) and 8 percent large farmers (operating 2 ha and more land). There is an uneven distribution of the agricultural land in the country. Small farmers operate only 13 percent of total agricultural land while 31 percent of the land is operated by “large” farmers (Tables 9.5 and 9.6).

Lorenz curve⁶ also reveals an unequal distribution of agricultural land area in the country. However, inequality has decreased marginally from eight years ago (Figure 9.3). Gini concentration index estimated for 2003/04 is 0.50, compared to 0.54 in 1995/96, indicating marginal improvement in the distribution of total operated land.



9.5 Land Tenure

Land tenure refers to arrangements or rights under which the holder holds or uses holding land. Land tenure relates to: area owned, area held in owner like possession, area rented from others, area operated on a squatter basis, etc. Land rented out does not constitute a part of holding.

Table 9.7 shows about 93 percent of the agricultural households own land and 7 percent rent out some or all of their land to others. On the other hand, 31 percent rented-in some land from others. And 7 percent do not own any land but operate land owned by others on contractual basis.

As shown in Table 9.8, the share of the owned and operated land in total operated land⁷ in Nepal is dominant, which exceeds 79 percent leaving 21 percent for rented-in from other households. This pattern follows across development regions, ecological zones, and urban/rural group.

Dominance of own and operated land over rented-in land is seen across all consumption quintiles; it is even higher for richer quintiles. The share of rented-in land in total operated land is higher for poorer quintiles.

9.6 Distribution of Agricultural Households

Table 9.4 reports the distribution of agricultural and non agricultural households by nominal consumption deciles. The proportion of the agricultural households exceeds that of non-agricultural

⁶ The proportion of agricultural household is shown in X-axis while that of agricultural land area in Y-axis. This curve shows that the farther the curve of inequality from the line of equality i.e. diagonal line, the larger is inequality in distribution.

⁷ Total operated land = area owned by a household - own area rented out to others + area rented in from others = area own and operated + area rented in from others.

households and all households for the first 8 deciles; however, the case is opposite with respect to top two deciles, i.e., 9th and 10th deciles. The top quintile accounts for 50 percent of all non-agricultural households while the comparable shares of all and agricultural households are 25 and 18 percent respectively. The corresponding figures reported in the 1995/96 NLSS are 36, 25 and 23 percent respectively.

9.7 Major Crops

Cereal crops dominate cropping pattern in Nepal. Paddy, maize, wheat, millet and legumes are the major crops grown in the country.

Table 9.9 shows the percentage of the agricultural households cultivating selected crops. The proportion of households cultivating main paddy is 76 percent, wheat and summer maize is 63 percent each and millet 39 percent in the country. Similarly, 24 percent of households cultivate soybean, 32 percent lentil, 50 percent winter-potato, 38 percent mustard, 27 percent onions, 35 percent garlic, 63 percent winter-vegetables and 61 percent summer-vegetables.

The proportion of households cultivating paddy and wheat is the highest in the Far-west while summer maize cultivation is the highest in the Mid-west region. Lentil is more popular in Tarai, specially in the Far-west. Crops like winter potato, garlic, mustard, winter and summer vegetables are more popular in the Far-west and Mid-west compared to other regions.

9.8 Improved Seeds

Table 9.10 presents the status of agricultural households using improved seeds⁸ in selected crops. Only a small portion of farmers use improved seeds in Nepal. On average, about one-fifth of households growing winter vegetable use improved seeds followed by households growing onions (18 percent), winter potato growers (16 percent), summer vegetable growers (12 percent), wheat growers (6 percent), main paddy growers (5 percent) and summer maize growers (4 percent). In the West region, the highest proportion of the onion growers use improved seeds (44 percent) followed by winter vegetable growers (39 percent).

9.9 Chemical Fertilizers

Fertilizer in NLSS II refers to chemical fertilizers only. Table 9.11 shows the percentage of growers using fertilizers in selected crops. The percentage of growers using fertilizers is the highest for main

⁸ High-yielding varieties (HYV) of crops (known as *bikase biu* in Nepali) are primarily used for the increase in production.

paddy (66 percent). This is higher than that reported in the 1995/96 NLSS (55 percent). The other crop growers using chemical fertilizers in descending order are: wheat (56 percent), summer maize (34 percent), winter potato (22 percent), millet (16 percent), lentil and mustard (10 percent each), winter vegetables (8 percent), summer vegetables (4 percent).

Among development regions, proportion of main paddy growers using fertilizers is the highest in the Central (90 percent) and the lowest in the Far west region (38 percent). This figure in Tarai is 77 and 78 percent for main paddy and wheat respectively.

9.10 Agricultural Equipments

A large majority of farmers still use locally made agricultural tools. Mechanization of agriculture is at a very low stage.

About 57 percent of farmers own the most basic equipment - a plough or improved type of plough (*bikase halo*). About 28 percent of farmers use bins and containers for grain storage. Only one percent owns tractor or power tiller. Similarly, one percent of farmers own a thresher. 3 percent of farmer households own a pumping set. This pattern holds true across all development regions, ecological zones, consumption quintiles, urban/rural groups (Table 9.12).

9.11 Livestock Raising

Livestock constitutes an integral part of Nepalese agriculture system; majority of agricultural households (two-thirds) keep livestock. Cattle are more common in the Mountains while buffaloes are more common in the Hills compared to other ecological zones. Goats and sheep are common throughout the country; but less so in Tarai. Piggeries are more common in the Eastern Mountains/Hills and the Western Tarai. 61 percent of agricultural households in the Hills keep poultry birds, compared with only 43 percent in Tarai (Table 9.13).

The average number of cattle, buffalo and goat-sheep are 3.1, 2.1 and 4.5 respectively (Table 9.14). Cattle size is higher in the Mountains compared to other zones. Average number of poultry birds is the highest in the Tarai. Majority of agricultural households keep fewer than 6 livestock heads (Table 9.15).

Table 9.1: Selected characteristics of agricultural households.

	Percent of all agricultural households	Percent of agri households with land	Percent of women headed agri households	Percent of women headed all households	Literacy of agri household heads	Literacy of all household heads	Median age(yr.) of Agri household heads	Average household size of agri households	Average household size of all households
Development Region									
East	80.3	76.7	16.7	17.3	45.3	47.2	47	5.5	5.3
Central	71.3	68.9	13.4	15.7	39.4	44.2	45	5.7	5.4
West	84.2	82.6	27.8	28.7	50.1	52.6	46	5.1	4.8
Mid West	88.5	86.8	19.1	20.0	49.0	51.0	40	5.6	5.4
Far West	94.7	93.7	20.3	20.8	45.8	47.2	42	5.9	5.7
Ecological Zone									
Mountains	97.4	96.9	14.5	15.1	45.0	44.4	45	5.2	5.1
Hills	80.8	79.8	24.0	24.3	44.5	50.0	45	5.1	4.9
Tarai	76.3	72.4	14.0	15.9	45.5	46.0	45	6.0	5.7
Urban									
Kath. Valley	16.2	14.7	19.3	18.9	61.0	76.4	53	5.7	4.8
Other	48.5	44.0	16.1	19.2	65.6	71.4	44	5.2	4.8
Rural									
East Mts./Hills	95.5	95.0	17.3	17.7	40.8	40.8	45	5.3	5.3
West Mts./Hills	92.9	91.8	28.3	29.4	44.9	45.9	45	4.9	4.7
East Tarai	78.0	73.9	12.2	14.1	39.9	37.2	45	5.9	5.6
West Tarai	90.3	88.1	17.3	18.8	51.7	51.6	42	6.2	6.0
Consumption Quintile									
Poorest	83.2	80.2	13.3	14.2	24.6	23.5	44	6.7	6.5
Second	89.4	87.2	15.2	16.5	34.2	33.6	44	6.2	6.1
Third	88.2	86.7	20.1	20.2	43.1	42.4	44	5.3	5.1
Fourth	85.9	84.4	20.6	20.9	54.5	54.5	45	5.1	5.0
Richest	58.9	55.4	23.5	23.9	66.6	72.3	48	4.5	4.3
Nepal	79.9	77.5	18.7	19.6	45.0	47.7	45	5.5	5.3

Table 9.2: Selected characteristics of Agricultural land

	Agricultural land household	Area of agricultural land	Percentage of area irrigated	Average size of agricultural land (hectares)	Average number of parcels
Development Region					
East	24.5	32.9	60.4	1.1	2.8
Central	31.6	26.2	55.0	0.7	2.8
West	22.2	19.5	40.3	0.7	3.6
Mid West	13.3	12.6	47.9	0.8	3.4
Far West	8.3	8.8	69.3	0.9	3.4
Ecological Zone					
Mountains	9.3	10.0	44.7	0.9	4.0
Hills	46.6	37.6	36.8	0.7	3.2
Tarai	44.2	52.4	68.6	1.0	2.8
Urban					
	7.1	4.7	50.1	0.5	2.5
Kath. Valley	1.1	0.2	44.1	0.1	1.9
Other	6.0	4.6	50.3	0.6	2.6
Rural					
	92.9	95.3	54.5	0.8	3.2
East Mts./Hills	25.9	25.8	44.8	0.8	3.0
West Mts./Hills	25.7	19.7	28.8	0.6	3.8
East Tarai	25.9	30.4	70.0	1.0	2.7
West Tarai	15.3	19.4	69.1	1.0	3.0
Consumption Quintile					
Poorest	16.7	12.6	43.7	0.6	2.5
Second	19.6	18.8	52.5	0.8	3.0
Third	23.1	23.1	55.5	0.8	3.1
Fourth	23.0	26.9	58.6	1.0	3.7
Richest	17.6	18.6	55.5	0.9	3.1
Nepal	100	100	54.3	0.8	3.1

Table 9.3: Distribution of agricultural households and area of land

Size of farm in hectares	Number of Agricultural households	Area of agricultural land	Area of lowland (khet)	Area of Irrigated land
Under 0.1 hectares	7.3	0.5	0.3	0.3
0.1 - 0.2 hectares	10.1	1.7	1.6	1.4
0.2 - 0.5 hectares	27.4	11.0	9.2	9.1
0.5 - 1 hectares	28.1	24.1	20.4	20.4
1 - 2 hectares	19.1	31.3	32.5	32.5
2 - 3 hectares	5.3	15.4	17.6	17.8
3 - 4 hectares	1.5	6.2	7.5	7.2
4 - 5 hectares	0.4	2.2	1.5	1.4
5 - 10 hectares	0.7	5.7	6.8	6.9
10 hectares and above	0.1	1.8	2.8	3.0
Nepal	100	100	100	100

Table 9.4: Distribution of households by nominal per capita consumption decile

Decile	All households	Non agricultural	Agricultural households		
			With land	With out land	All agri
Poorest	7.8	7.6	7.9	6.0	7.9
Second	8.4	6.0	8.8	14.4	9.0
Third	8.8	4.9	9.7	11.2	9.7
Fourth	8.7	4.3	9.9	4.9	9.8
Fifth	9.8	5.9	10.9	7.3	10.8
Sixth	10.8	6.2	12.1	6.2	12.0
Seventh	10.6	7.2	11.6	3.7	11.4
Eighth	10.6	7.7	11.4	9.8	11.3
Ninth	12.3	16.1	11.2	16.9	11.3
Richest	12.3	34.2	6.4	19.6	6.8
Nepal	100	100	100	100	100

Table 9.5: Distribution of agri households with land by land size

	Size (hectares)						Total
	Less than 0.1	0.10 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 and over	
Development Region							
East	4.8	13.5	18.8	23.3	24.9	14.7	100
Central	8.7	17.7	22.8	29.5	16.8	4.5	100
West	6.1	14.3	27.2	29.4	17.9	5.1	100
Mid West	11.6	19.5	15.4	29.2	16.7	7.6	100
Far West	6.1	11.8	23.0	32.1	17.4	9.6	100
Ecological Zone							
Mountains	6.1	9.9	23.5	31.2	21.0	8.4	100
Hills	6.8	17.1	25.3	31.2	15.6	4.0	100
Tarai	8.1	15.4	17.8	24.3	22.4	12.1	100
Urban							
	16.5	24.5	24.0	19.9	10.4	4.8	100
Kath. Valley	41.5	45.3	12.1	1.2	0.0	0.0	100
Other	12.0	20.7	26.2	23.3	12.3	5.6	100
Rural							
	6.6	15.0	21.6	28.8	19.7	8.2	100
East Mts./Hills	5.2	14.8	22.7	29.7	20.3	7.3	100
West Mts./Hills	5.8	15.3	27.6	34.7	14.1	2.7	100
East Tarai	6.8	15.6	19.2	24.7	22.5	11.2	100
West Tarai	10.2	13.9	14.2	24.0	23.6	14.1	100
Consumption Quintile							
Poorest	9.3	19.6	26.1	26.9	14.1	3.9	100
Second	6.5	16.0	21.0	28.9	20.5	7.1	100
Third	5.1	12.6	22.3	34.2	18.2	7.5	100
Fourth	7.0	14.2	19.6	23.6	23.7	11.8	100
Richest	9.8	17.5	20.8	26.2	17.3	8.4	100
Nepal	7.3	15.7	21.8	28.1	19.1	8.0	100

Table 9.6: Distribution of agriculture land area by size

	Size (hectares)						Total
	Less than 0.1	0.10 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 and over	
Development Region							
East	0.2	1.9	6.2	14.9	31.8	45.0	100
Central	0.7	4.5	12.2	29.9	32.8	19.9	100
West	0.5	3.3	13.5	28.6	32.3	21.8	100
Mid West	0.7	4.1	6.9	27.6	29.4	31.3	100
Far West	0.3	2.5	9.5	26.4	25.7	35.6	100
Ecological Zone							
Mountains	0.4	1.9	9.7	24.6	32.5	31.0	100
Hills	0.5	4.3	13.6	33.3	31.1	17.1	100
Tarai	0.4	2.6	6.6	17.5	31.2	41.6	100
Urban							
Kath. Valley	16.2	51.9	27.2	4.7	0.0	0.0	100
Other	0.9	5.3	15.1	25.9	26.7	26.0	100
Rural							
East Mts./Hills	0.3	3.1	10.1	25.4	33.8	27.2	100
West Mts./Hills	0.5	4.1	15.6	39.4	29.0	11.4	100
East Tarai	0.4	2.7	7.3	17.9	32.0	39.8	100
West Tarai	0.5	2.2	4.9	16.5	30.5	45.3	100
Consumption Quintile							
Poorest	0.8	5.3	15.2	30.1	31.5	17.2	100
Second	0.4	3.5	9.7	26.0	35.2	25.3	100
Third	0.3	2.6	9.8	29.5	29.7	28.1	100
Fourth	0.4	2.5	7.3	17.2	33.4	39.3	100
Richest	0.6	3.2	8.8	21.6	26.3	39.5	100
Nepal	0.4	3.2	9.6	24.1	31.3	31.3	100

Table 9.7: Percentage of households with owned land, renting-out land and renting-in land

	Percent of households with Owned Agriculture land	Percent of households renting-out land	Percent of households renting-in land	Percent of households renting-in land only
Development Region				
East	88.6	8.7	43.0	11.4
Central	90.4	5.6	34.7	9.6
West	95.5	8.6	23.5	4.6
Mid West	97.9	6.7	19.7	2.2
Far West	98.1	7.9	24.8	1.9
Ecological Zone				
Mountains	98.1	7.1	25.4	1.9
Hills	96.6	6.9	23.3	3.4
Tarai	87.6	7.9	41.3	12.4
Urban				
	91.2	10.7	28.0	8.8
Kath. Valley	87.2	7.4	33.8	12.9
Other	91.9	11.3	27.0	8.1
Rural				
	92.8	7.1	31.7	7.2
East Mts./Hills	96.0	6.7	32.2	4.0
West Mts./Hills	98.4	6.6	14.3	1.7
East Tarai	83.8	6.7	44.9	16.3
West Tarai	93.6	9.4	37.5	6.4
Consumption Quintile				
Poorest	87.2	3.5	39.5	12.8
Second	91.0	3.4	36.2	9.0
Third	94.2	4.4	32.9	5.8
Fourth	94.5	9.7	28.5	5.5
Richest	95.8	16.3	20.3	4.2
Nepal	92.7	7.4	31.4	7.3

Table 9.8 : Percentage of owned land, rented-out land and rented-in land

	Percent of total operated land			Percent of total owned land		
	Own and operated land	Rented-in land	Total	Own and operated land	Rented-out land	Total Percentage
Development Region						
East	73.9	26.1	100	90.8	9.2	100
Central	80.2	19.8	100	93.5	6.5	100
West	87.3	12.7	100	91.8	8.2	100
Mid West	78.3	21.7	100	85.3	14.7	100
Far West	82.1	17.9	100	93.8	6.2	100
Ecological Zone						
Mountains	90.3	9.7	100	95.9	4.1	100
Hills	88.5	11.5	100	93.9	6.1	100
Tarai	70.9	29.1	100	87.9	12.1	100
Urban						
	80.6	19.4	100	84.3	15.7	100
Kath. Valley	65.5	34.5	100	58.6	41.4	100
Other	81.2	18.8	100	85.4	14.6	100
Rural						
	79.4	20.6	100	91.6	8.4	100
East Mts./Hills	84.8	15.2	100	94.9	5.1	100
West Mts./Hills	94.8	5.2	100	95.0	5.0	100
East Tarai	70.2	29.8	100	90.1	9.9	100
West Tarai	70.8	29.2	100	85.1	14.9	100
Consumption Quintile						
Poorest	66.6	33.4	100	98.0	2.0	100
Second	72.0	28.0	100	97.1	2.9	100
Third	79.8	20.2	100	96.9	3.1	100
Fourth	84.3	15.7	100	92.3	7.7	100
Richest	88.0	12.0	100	78.1	21.9	100
Nepal	79.4	20.6	100	91.2	8.8	100

Table 9.9: Percentage of agricultural households cultivating selected crops

	Main Paddy	Wheat	Summer Maize	Millet	Winter Potato	Mustard	Summer Vegetables	Winter Vegetables	Onions	Garlic	Soyabean	Lentil (masoor)
Development Region												
East	77.7	47.0	49.1	40.1	54.0	31.8	49.6	53.8	24.0	24.1	14.6	20.4
Central	82.0	66.4	57.0	41.0	38.8	25.9	49.0	54.3	30.5	35.7	28.0	28.7
West	67.6	51.8	71.3	44.7	49.8	40.2	73.7	72.3	17.7	28.9	16.5	26.9
Mid West	63.3	81.3	85.8	26.0	61.0	62.0	79.6	74.4	25.2	46.3	40.6	49.2
Far West	92.1	92.5	73.2	31.7	64.1	53.7	73.5	76.3	49.6	57.1	34.0	66.2
Ecological Zone												
Mountains	73.6	75.5	88.3	77.8	41.7	29.9	72.5	70.9	30.1	47.4	55.6	15.6
Hills	64.1	57.1	89.5	60.0	45.1	34.2	69.3	68.0	22.2	31.9	38.9	11.0
Tarai	89.3	65.7	30.8	8.4	57.0	42.9	49.3	55.4	31.3	34.6	2.5	57.9
Urban												
	72.7	46.3	56.3	24.6	45.4	27.4	55.9	60.2	24.0	31.3	15.5	26.5
Kath. Valley	77.3	52.7	43.5	0.8	20.7	11.6	41.8	56.0	17.4	44.6	16.8	0.0
Other	71.8	45.1	58.7	29.0	49.9	30.3	58.4	60.9	25.2	28.9	15.2	31.4
Rural												
	76.4	63.8	64.0	39.9	50.4	38.4	61.1	62.9	27.2	34.8	25.0	32.6
East Mts./Hills	70.0	54.1	88.4	72.8	44.7	29.8	65.4	67.3	27.9	38.6	44.4	3.4
West Mts./Hills	60.3	69.1	93.4	57.1	44.8	38.3	75.6	69.7	18.8	30.8	41.9	20.1
East Tarai	91.6	64.3	20.1	11.9	47.6	28.4	33.3	40.8	28.6	23.0	1.5	47.0
West Tarai	88.4	70.7	47.7	2.9	74.2	70.1	76.9	81.3	37.6	54.8	3.7	78.5
Consumptino Quintile												
Poorest	71.2	56.1	62.6	44.1	35.3	35.0	50.9	48.6	19.0	25.3	17.6	31.1
Second	73.6	67.4	62.5	39.3	46.8	39.4	59.8	59.9	25.3	35.0	25.5	35.1
Third	79.0	67.9	63.7	40.4	49.7	37.9	59.6	64.4	28.3	33.7	27.8	37.4
Fourth	78.9	65.7	65.5	37.7	56.3	39.4	63.5	65.7	32.0	38.0	25.1	32.3
Richest	76.2	52.3	62.1	32.7	60.0	35.5	69.2	73.0	27.9	39.3	23.9	22.6
Nepal	76.1	62.6	63.4	38.8	50.0	37.6	60.8	62.7	26.9	34.5	24.3	32.1

Table 9.10: Percentage of agri households using improved seeds in selected crops

	Main Paddy	Wheat	Summer Maize	Winter Potato	Onions	Winter Vegetables	Summer Vegetables
Development Region							
East	1.6	3.7	2.5	7.0	12.5	13.5	10.6
Central	5.6	7.9	8.6	14.4	12.6	17.6	10.6
West	11.1	8.4	2.0	28.4	44.3	39.0	16.8
Mid West	5.4	1.6	3.7	14.5	4.9	9.5	7.8
Far West	2.8	3.7	1.8	21.7	22.6	15.4	11.5
Ecological Zone							
Mountains	2.2	2.9	3.6	7.2	4.4	1.9	1.9
Hills	3.3	2.5	3.8	14.8	13.8	16.2	10.4
Tarai	7.5	9.1	6.1	19.0	23.4	31.6	17.1
Urban							
Kath. Valley	8.7	7.7	9.2	4.9	8.8	33.8	39.2
Other	6.2	9.7	6.2	30.7	26.7	36.5	22.3
Rural							
East Mts./Hills	3.0	3.8	5.6	8.1	4.6	5.2	4.8
West Mts./Hills	2.8	1.2	1.5	16.3	19.2	18.6	9.9
East Tarai	4.3	8.3	7.3	12.1	19.9	30.1	19.6
West Tarai	12.9	10.0	5.5	25.8	28.2	32.2	15.4
Consumption Quintile							
Poorest	4.4	2.8	1.6	9.5	11.9	11.5	5.3
Second	3.9	4.1	1.8	11.9	12.5	12.0	6.0
Third	3.8	4.6	2.4	12.9	13.4	16.6	8.7
Fourth	5.7	8.2	6.8	20.2	21.0	23.4	13.5
Richest	9.5	8.0	8.5	23.1	27.8	36.2	23.8
Nepal	5.4	5.6	4.3	16.3	17.8	20.7	11.9

Table 9.11: Percentage of agri households using fertilizers in selected crops

	Main Paddy	Wheat	Summer Maize	Millet	Lentil (Masoor)	Winter Potato	Mustard	Winter Vegetables	Summer Vegetables
Development Region									
East	49.2	60.8	22.0	4.1	8.2	27.8	6.6	7.3	4.3
Central	90.4	74.6	66.0	32.1	19.6	30.1	12.2	10.8	6.9
West	68.7	44.3	30.2	14.7	13.7	17.2	16.3	6.8	1.6
Mid West	53.6	36.7	15.5	1.9	2.6	9.8	5.2	6.6	2.6
Far West	38.0	43.0	7.2	0.0	0.0	13.8	12.5	8.2	1.6
Ecological Zone									
Mountains	40.2	21.7	45.6	22.8	0.0	7.8	5.3	1.5	0.7
Hills	58.3	41.7	37.0	15.0	0.9	18.8	4.1	5.9	3.5
Tarai	77.1	77.5	17.5	6.7	12.2	26.0	16.6	12.7	4.8
Urban									
Kath. Valley	91.1	83.6	45.1	0.0	---	41.2	26.3	36.9	33.8
Other	66.9	56.8	26.6	15.3	10.8	30.3	18.8	13.1	7.2
Rural									
East Mts./Hills	62.9	51.5	53.8	22.2	0.0	23.7	5.9	4.4	3.6
West Mts./Hills	43.0	25.3	24.2	9.6	0.8	7.8	1.7	3.5	1.1
East Tarai	80.7	85.3	28.8	6.9	17.2	33.2	11.1	16.0	8.1
West Tarai	71.2	65.6	10.3	0.0	7.0	18.1	19.8	10.4	2.6
Consumption Quintile									
Poorest	55.5	50.2	33.4	14.1	7.4	13.9	7.2	5.4	2.3
Second	63.2	50.3	31.4	16.3	8.0	15.9	7.0	4.1	2.5
Third	64.1	56.9	30.7	13.6	13.7	15.2	10.3	6.7	2.5
Fourth	69.8	63.0	35.9	15.4	10.5	27.9	12.9	7.6	2.9
Richest	78.2	57.4	39.2	20.6	7.1	30.0	14.6	15.7	8.1
Nepal	66.4	56.0	34.0	15.7	9.9	21.6	10.5	8.1	3.7

Table 9.12: Percentage of agricultural households owning selected agri equipments

	Plough	Tractor/ Power tiller	Thresher	Water Pump	Grain Storage Bin
Development Region					
East	69.6	0.7	1.2	3.1	18.3
Central	39.3	0.5	0.5	1.8	17.8
West	49.9	0.5	1.4	2.6	44.0
Mid West	74.0	0.0	0.6	2.1	29.0
Far West	76.4	1.3	1.3	6.3	57.0
Ecological Zone					
Mountains	64.7	0.0	0.0	0.0	22.5
Hills	54.3	0.2	0.2	0.2	26.1
Tarai	57.8	1.0	1.9	5.9	32.2
Urban					
	31.8	0.7	1.1	3.7	30.7
Kath. Valley	0.0	0.0	0.0	4.3	36.9
Other	37.7	0.9	1.2	3.6	29.6
Rural					
	58.7	0.5	0.9	2.6	28.3
East Mts./Hills	53.3	0.3	0.2	0.0	13.6
West Mts./Hills	63.6	0.0	0.2	0.2	36.7
East Tarai	56.4	1.0	1.4	4.5	21.1
West Tarai	63.8	1.2	2.8	8.2	51.3
Consumption Quintile					
Poorest	62.4	0.0	0.0	1.1	15.2
Second	61.1	0.2	0.7	2.2	24.1
Third	63.2	0.6	0.9	2.5	28.4
Fourth	56.2	0.2	1.3	3.9	33.2
Richest	39.2	1.9	1.6	3.6	39.9
Nepal	56.8	0.6	0.9	2.7	28.5

Table 9.13: Percentage of agricultural households with livestock and poultry

	Agricultural Households with					
	Cattle	Buffalo	Goat	Goat-Sheep	Pig	Poultry
Development Region						
East	79.7	41.4	65.1	65.1	29.3	62.3
Central	57.4	49.4	62.5	62.7	2.7	44.4
West	54.5	64.2	58.5	59.0	5.4	50.8
Mid West	74.8	40.6	54.8	58.4	10.6	65.0
Far West	82.3	53.7	52.7	56.7	11.3	40.8
Ecological Zone						
Mountains	76.0	50.3	66.0	66.8	14.0	59.0
Hills	68.5	60.6	65.9	66.5	13.1	61.1
Tarai	62.9	38.8	53.8	55.2	9.7	42.8
Urban						
Kath. Valley	6.5	0.0	5.1	5.1	2.3	19.9
Other	54.8	38.1	43.7	44.0	7.1	30.5
Rural						
East Mts./Hills	74.5	56.9	74.3	74.6	21.9	71.7
West Mts./Hills	69.7	65.6	62.4	63.6	5.7	54.4
East Tarai	64.4	39.4	57.4	57.4	8.7	37.7
West Tarai	62.1	38.9	51.0	55.0	12.4	56.2
Consumption Quintile						
Poorest	70.3	40.7	62.5	63.0	15.5	59.5
Second	72.0	46.7	63.8	64.4	14.4	58.4
Third	71.7	50.0	61.8	62.9	11.3	53.6
Fourth	63.2	57.6	60.4	61.9	11.7	51.6
Richest	55.5	51.6	53.3	54.5	5.5	40.2
Nepal	66.6	49.8	60.4	61.4	11.7	52.7

Table 9.14: Mean number of livestock/poultry per agriculture household

	Average number of head					Poultry
	Cattle	Buffalo	Goat	Goat-Sheep	Pig	
Development Region						
East	3.1	1.9	4.1	4.1	1.7	9.0
Central	2.6	2.0	4.4	4.4	1.8	6.7
West	2.5	2.1	3.8	4.1	1.7	6.5
Mid West	4.1	2.5	4.9	5.7	1.5	9.1
Far West	3.6	2.1	3.9	4.8	1.7	9.8
Ecological Zone						
Mountains	3.9	2.1	5.6	6.7	1.4	7.7
Hills	3.1	2.1	4.7	4.8	1.8	7.4
Tarai	2.8	2.0	3.3	3.6	1.6	8.8
Urban						
Kath. Valley	3.1	---	1.5	1.5	---	11.9
Other	2.7	1.9	3.3	3.3	1.6	6.7
Rural						
East Mts./Hills	3.1	2.1	5.3	5.4	1.7	7.8
West Mts./Hills	3.5	2.2	4.4	5.0	1.7	6.9
East Tarai	2.6	1.7	3.1	3.1	1.6	8.2
West Tarai	3.2	2.4	3.8	4.4	1.5	9.8
Consumption Quintile						
Poorest	3.1	1.8	4.3	4.6	1.7	6.7
Second	3.1	1.9	4.1	4.3	1.4	7.5
Third	3.2	2.1	4.3	4.5	1.8	8.5
Fourth	3.0	2.2	4.3	4.5	1.6	8.4
Richest	2.8	2.2	4.1	4.5	1.9	8.6
Nepal	3.1	2.1	4.2	4.5	1.7	7.9

Table 9.15: Distribution of agricultural households with livestock by Number of livestock/poultry

	Agricultural Households with					
	Cattle	Buffalo	Goat	Goat-	Pig	Poultry
1-2	55.7	74.8	36.5	35.8	87.9	20.7
3-5	32.3	24.1	40.1	39.8	8.3	27.3
6-9	10.0	1.0	16.6	16.7	3.5	22.3
10 and more	2.0	0.1	6.9	7.7	0.4	29.8
Total	100	100	100	100	100	100

Table 9.16: Percentage of agricultural households with livestock and poultry

	Household with					
	Cattle	Buffalo	Goat	Goat-Sheep	Pig	Poultry
Development Region						
East	29.8	20.7	26.9	26.4	62.7	29.48
Central	27.3	31.5	32.8	32.4	7.3	26.77
West	17.9	28.3	21.2	21.1	10.1	21.15
Mid West	14.8	10.7	11.9	12.5	12.0	16.26
Far West	10.1	8.8	7.1	7.5	8.0	6.34
Ecological Zone						
Mountains	10.3	9.1	9.9	9.8	10.8	10.10
Hills	47.0	55.7	49.9	49.6	51.6	53.14
Tarai	42.7	35.2	40.3	40.6	37.6	36.76
Urban						
Kath. Valley	0.1	---	0.1	0.1	0.2	0.45
Other	5.3	4.9	4.7	4.6	3.9	3.74
Rural						
East Mts./Hills	28.3	29.0	31.1	30.7	47.5	34.51
West Mts./Hills	26.4	33.2	26.0	26.1	12.3	26.01
East Tarai	25.7	21.0	25.2	24.8	19.8	19.00
West Tarai	14.2	11.9	12.9	13.7	16.3	16.29
Consumption Quintile						
Poorest	17.8	13.8	17.4	17.3	22.4	19.05
Second	21.1	18.3	20.6	20.5	24.2	21.64
Third	24.5	22.9	23.3	23.3	22.0	23.17
Fourth	21.6	26.3	22.7	22.9	22.9	22.30
Richest	15.1	18.8	16.0	16.1	8.6	13.84
Nepal	100	100	100	100	100	100

CHAPTER X: CONSUMPTION

In nominal terms, per capita consumption increased from NRs. 6,802 in 1995/96 to NRs. 15,848 in 2003/04. Growth in per capita consumption is 91 percent for the bottom quintile of the population and 177 percent for the top quintile over the last eight years: an impressive growth across all population groups. In 2003/04, the bottom twenty percent of the population accounts for a mere 6 percent of total consumption while the richest twenty percent of the population a whopping 53 percent. A large gap in consumption shares across population groups has become even worse during the past eight years.

Table 10.0: Summary Statistics

<i>Description</i>	<i>Nepal Living Standards Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Nominal per capita consumption (in NRs.)</i>		
<i>All Nepal</i>	<i>6,802</i>	<i>15,848</i>
<i>Poorest 20% of population</i>	<i>2,571</i>	<i>4,913</i>
<i>Richest 20% of population</i>	<i>15,243</i>	<i>42,236</i>
<i>Share of Nominal per capita consumption</i>		
<i>Poorest 20% of population</i>	<i>7.6</i>	<i>6.2</i>
<i>Richest 20% of population</i>	<i>44.9</i>	<i>53.3</i>

10.1 Introduction

Consumption and income are widely used monetary indicators of well-being. Consumption may be a better proxy than income for three reasons: actual consumption measures a person's well-being in terms of meeting current basic needs while income is just an element that allows such consumption; consumption is usually measured with more reliability than income; and consumption better reflects a family's long-term welfare as it captures that family's ability to smooth out income fluctuations. But income also has its own advantages if one wants to analyze welfare in terms of monetary sources, and to look at welfare opportunity rather than achievement. This chapter looks at consumption while the next chapter explores income from NLSS 2003/04.

10.2 Construction of Consumption Aggregate

The construction of consumption aggregate described below follows the procedure implemented for NLSS I¹. There are a few important exceptions, however².

We compute annual household consumption (TC) as the sum of the following sub-aggregates, all of which are annual nominal household values³:

Food Consumption
+
Non-food Expenditure

Non-food expenditure, in turn, consists of the following sub-aggregates

Tobacco Consumption
+ *Selected Non-Food Expenditures from Section 6*
+ *Expenditures on Education*
+ *Consumption Flow from Durable Goods*
+ *Consumption of Housing*
+ *Consumption of Utilities*

¹ By Lanjouw, Prennushi and Zaidi (1998). In addition, aggregation methodology is based on guidelines in Deaton and Zaidi (2002): World Bank Living Standards Survey Working Paper #135 "*Guidelines for Constructing Consumption Aggregates for Welfare Analysis*".

² There are three basic changes from NLSS I that have been made in computation of consumption aggregates in NLSS II: a) inclusion of household weights in calculation of consumption of durables and imputation of housing rent, b) estimated consumption flow of durables now uses current value of durable goods and not the value at purchase and it now takes into account that depreciation accumulates over time and therefore the correct formula does not divide total depreciation by total number of years but takes root of the corresponding power, c) housing rental regression now has a "better" specification, excludes extreme outliers, and includes "smearing correction" in imputation of housing rental values.

³ All the computations are done using household and/or individual weights where appropriate.

10.2.1 Food consumption

Food consumption component is constructed from the data collected in Section 5 of the NLSS questionnaire: “Food Expenses and Home Production”.

First, for each of the food items 011 – 132 (excluding tobacco and tobacco products (121-124) consumed in a household, reported monthly values of purchased food and home-produced food are annualized. Second, these annual values are added to annual value of food received in-kind to obtain a value of consumption of that food item in the past 12 months. Finally, this measure is aggregated for all food items reported to have been consumed by each household to obtain an estimate of total annual food consumption for that household.

10.2.2 Tobacco consumption

Consumption of tobacco is constructed from food items 121-124 of Section 5 in the manner described above for food consumption.

10.2.3 Selected non-food expenditures from Section 6

This component is constructed as the aggregate of the amount purchased or received in-kind for the following selected item codes reported in Section 6 of the questionnaire: Items with codes 211-242 (excluding 211: wood and 236:education), 311, 314-316, 411 & 413.

For non-food items, whose data are collected on the estimated value of both monthly as well as annual consumption, we first use the monthly reported figure to construct our measure of annual consumption. It is assumed that household’s estimate of expenditure in the past month is likely to be more accurate than the annual estimate. If no consumption of the item is reported in the past month, the reported annual amount is used instead.

The consumption of the following items, reported in the Section 6, is not included in the aggregate:

- Expenditure on firewood. (It is difficult to impute the value of collected firewood, because of widespread use of non-metric units).
- Expenditure on education from Section 6 are excluded. We use a more comprehensive data on education expenses from Section 7 (expenditures on schooling plus value of scholarships received).

- Expenditure on repair and maintenance and home construction and improvements, on the grounds that these items are actually investment outlays.⁴
- Expenditure on taxes and fines.
- Expenditure on marriages, dowries, funerals, and other social and religious functions.⁵
- Expenditure on durable goods reported in Section 6 (items 414-428) given its lumpy nature. Instead we value consumption of durable goods by estimating a flow of services accruing to the household from the total stock of durable goods it owns.

10.2.4 Expenditure on education

This component is calculated using the information from Section 7 of the questionnaire. For each person of the household, we generate total annual amount spent on education including the value of received scholarship (if any). This is then aggregated at the household level.

10.2.5 Consumption of durables goods

This estimate of consumption of durable goods is based on data collected in Section 6C, and is calculated as follows:

1. For each durable good, its purchase price is expressed in current prices based on information on the number of years ago this item is acquired, and the rate of inflation in the country over the past few years. In cases where more than one item is owned by the household the purchase price in current prices for all such items is assumed to be the same as this value.
2. The cumulative depreciation for the item is calculated as the fraction of the decline in value of the durable item(s) (the difference between the purchased value of the item(s) and the current value of the item(s)) to the purchased value of the item(s). In other words, this depreciation of the item is the fraction of value that the item lost over the whole period.
3. The annual depreciation rate for the item is calculated from the cumulative depreciation rate, as the fraction of value that is lost during each year. Then, the median of this depreciation is calculated for each type of durable good to obtain an item-specific depreciation rate (i.e. one for bicycles, one for fans, etc.).

⁴ Including investment expenditures in the consumption aggregate can lead to double-counting. For example, these investments can contribute to improved earning capacity which in turn is reflected in more consumption of final goods.

⁵ While expenditure on these items could in principle have been useful in discerning the rich from the poor, the lumpy nature of these expenses, as well the relatively short recall period of 12 months (for these type of expenses) used in the survey made this data unsuitable for our purposes.

4. Next, the measure of consumption of durables is obtained by applying the rate of depreciation to the current value of the item(s) owned by the household. The flows of service imputed in such a way is aggregated for all durable goods owned by each household.

10.2.6 Consumption of housing

The estimate of the annual value of consumption of housing services is based on data on the rental values of dwellings reported in Section 2B: “Housing Expenses”. For households renting their dwelling, the value of consumption of housing services is taken to be the annual rent paid by them. For households that own their dwelling units, consumption of housing is taken to be the annual rent that they report they would have had to pay for their dwelling. However, for a small fraction of the sample (184 out of 3912), households owning their dwelling are unable to provide a credible estimate of a rental value for their home. In such cases, we impute a rental value for the dwelling by estimating a hedonic housing regression on the sample of households reporting non-zero rents. The regression is estimated for the logarithm of the rent for apartments with less than 8 rooms, excluding observations with extreme values for the rent.⁶

The set of explanatory variables included a wide range of housing characteristics⁷,

1. measures of the quality of housing:
 - log of the dwelling size,
 - dummies for the number of rooms,
 - dummy for the presence of the kitchen,
 - dummy for the concrete/cement walls,
 - dummy for the stone/cement floor,
 - dummy for the presence of the windows,
 - dummy for the piped water and dummy for the underground sewage,
 - dummy for the organized garbage collection,
 - dummy for the municipal sewage,
 - dummy for the electricity lighting,
 - dummy for the presence of the telephone
2. other factors that help predict the rental value of the dwelling:
 - logarithm of the value of household assets,
 - regional dummies,
 - dummy for the presence of the paved roads next to the household

This model is then used to predict the rental value for those households in the sample with missing or zero reported rents. A smearing correction is done to account for the fact that our dependent variable,

⁶ Observations with the rent less than 25 NRs. and greater than 25,000 NRs. are excluded from the regression.

⁷ Missing values in the explanatory variables are substituted by median values.

rent, in our regression model is logarithmic and predicted value of the rent needs to include exponential of the error term in the regression.

10.2.7 Consumption of utilities

This component includes expenditure on garbage collection, electricity, and telephone charges reported in Section 2 of the questionnaire. As in NLSS I, we chose to exclude expenditure on water because our concerns regarding rationing of water supply in the country led us to believe that inclusion of this expenditure is likely to bias our welfare rankings.

After computing total annual household consumption, per-capita consumption are then estimated by dividing household consumption by household size.

10.3 Distribution of Nominal per Capita Consumption

Table 10.1 and 10.2 present nominal per capita consumption and cumulative shares for deciles and quintiles respectively. The richest ten percent of the population consumes about 15-fold of what the poorest ten percent of the population consumes. Bottom quintile accounts for 6 percent of consumption while the top quintile for 53 percent.

Table 10.3 shows population distribution by quintiles and geographic groups. More than 85 percent of Kathmandu urban population and about half of other urban population are in the top quintile. Among rural groups, East Hills/Mountains and Tarai areas have higher share of their population in lower quintiles.

10.4 Distribution of Household Consumption by Expenditure Category

Breakdown of household consumption by expenditure category is shown in table 10.4. On average, 59 percent of household consumption is spent on food expenditures in the country. Share of housing consumption is 9, that of education is 3 and the rest is accounted for by other non-food items. Urban households spend less than 40 percent on food, especially in Kathmandu where the share is just 29. On the other hand, not surprisingly, urban households tend to spend more on house rental and education relative to their rural counterparts.

Table 10.1: Nominal per capita consumption by decile

Decile	Mean consumption (NRs.)	Share of consumption (%)	Cumulative share (%)
Poorest (First)	4,183	2.6	2.6
Second	5,647	3.6	6.2
Third	6,786	4.3	10.5
Fourth	7,960	5.0	15.5
Fifth	9,230	5.8	21.3
Sixth	10,913	6.9	28.2
Seventh	13,179	8.3	36.5
Eighth	16,144	10.2	46.7
Ninth	22,479	14.2	60.9
Richest (Tenth)	62,037	39.1	100.0
Nepal	15,848	100.0	100.0

Table 10.2: Nominal per capita consumption by quintile

Quintile	Mean consumption (NRs.)	Share of consumption (%)	Cumulative share (%)
Poorest (First)	4,913	6.2	6.2
Second	7,373	9.3	15.5
Third	10,073	12.7	28.2
Fourth	14,657	18.5	46.7
Richest (Fifth)	42,236	53.3	100.0
Nepal	15,848	100.0	100.0

Table 10.3: Distribution of population by nominal per capita consumption quintile and geographic group

(Percent)

Quintile	Kathmandu	Other	Rural West	Rural East	Rural West	Rural East	Total
	Valley Urban	Urban	Hills	Hills	Tarai	Tarai	
Poorest (First)	0.4	7.4	13.1	26.1	22.4	26.7	20.0
Second	1.2	9.0	21.1	21.4	24.4	23.2	20.0
Third	3.1	13.7	26.5	18.8	18.6	22.5	20.0
Fourth	10.0	20.6	23.0	19.9	21.5	18.9	20.0
Richest (Fifth)	85.3	49.3	16.3	13.8	13.2	8.8	20.0
Nepal	100	100	100	100	100	100	100

Table 10.4: Nominal household consumption and its distribution by expenditure category

	(NRs.)					(Percent)
	Household Consumption	Share of food	Share of housing rent	Share of education	Share of other non-food	Total
Urban	183,709	39.1	18.5	5.6	36.8	100
Kath. Valley	278,699	28.8	24.2	7.4	39.7	100
Other	131,502	44.7	15.3	4.6	35.3	100
Rural	63,875	62.9	7.7	2.3	27.1	100
East Mts./Hills	63,645	66.2	8.6	2.3	22.9	100
West Mts./Hills	61,923	64.1	8.6	2.0	25.3	100
East Tarai	60,003	62.4	5.1	2.1	30.5	100
West Tarai	75,172	57.0	10.0	3.2	29.7	100
Consumption Quintile						
Poorest	32,028	73.0	5.8	1.3	19.9	100
Second	44,679	66.9	6.8	1.8	24.5	100
Third	51,524	64.8	7.4	2.3	25.4	100
Fourth	73,005	58.1	9.4	3.2	29.3	100
Richest	181,064	40.1	15.5	4.8	39.6	100
Nepal	83,593	59.0	9.5	2.8	28.7	100

CHAPTER XI: INCOME

In nominal terms, average household income grew by more than 80 percent from 1995/96 to 2003/04. During the same period, per capita income increased from Rs. 7,690 to Rs. 15,162. Eight-year growth rate for the poorest twenty percent of population is 98 percent while that for the richest 20 percent of population is 110 percent. Other significant change in the past eight years is the composition of income sources: the share of farm income in total income has declined from 61 percent to 48 percent while that of non-farm income increased from 22 to 28 percent and of other sources including remittances increased from 16 to 25 percent.

Table 11.0: Summary Statistics

<i>Description</i>	<i>Nepal Living Standards Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Nominal average household income in nominal NRs.</i>	<i>43,732</i>	<i>80,111</i>
<i>Nominal average per capita income in nominal NRs.</i>		
<i>All Nepal</i>	<i>7,690</i>	<i>15,162</i>
<i>Poorest 20% of population</i>	<i>2,020</i>	<i>4,003</i>
<i>Richest 20% of population</i>	<i>19,325</i>	<i>40,486</i>
<i>Share of farm income in household income (in percent)</i>	<i>61</i>	<i>47.8</i>
<i>non-farm income</i>	<i>22</i>	<i>27.6</i>
<i>other income</i>	<i>16</i>	<i>24.5</i>

11.1 Introduction

This section describes the methodology to construct household income. The procedure followed is the same as the one in NLSS 1995/95.

Income, as defined in this report, measures the flow of resources in a household in the past 12 months. The main components of this measure are: crop income, non-crop farm income, reported valuation of housing consumption of own dwelling, income from wage employment, income from non-farm enterprises, income from remittances, rental income and income from other sources.

11.2 Construction of Income Aggregate

11.2.1 Farm income

a) *Crop income*: The gross values of crops harvested are calculated from section 11.B of the questionnaire, which provides information on quantity harvested, quantity sold and unit selling price for each crop. This calculation involves the following steps:

- The unit selling price reported by the household is used to value the crop harvested. But cases where all of harvested quantity is sold are only a few. In most records, either a small share or none of the harvested amount is sold in the market. This necessitates price imputations for most harvested crop.
- Price is imputed by taking the average price for each crop at progressively higher levels of aggregation. There are four such levels: ward, district, region and country. Missing prices are first replaced with ward means (of those reported prices at household level). Actual unit prices and ward-level imputed prices cover one-third of all records. District level imputation values the next 23 percent of all records. Third level of imputation is the group¹ and the final level the national average. 98 percent of valuations are done by this procedure.
- For the remaining 2 percent of records, conversion factor is used and in cases where prevailing conversion factor is not available they are dealt with by making a few ad-hoc adjustments.² Imputation of missing prices for fodder tree, bamboo and other trees turned out to be problematic. With no plausible options available, such cases were dropped.³

¹ Six geographic groups have been defined for NLSS data: two urban groups and four rural groups.

² Price of orange has been applied to the case of sweet lime which does not have any reported selling price.

³ About 3 percent of fodder tree, 12 percent of bamboo and 1 percent of other tree have been valued.

Box 11.1

Main Component	Items to add	Items to deduct
Farm Income	Value of total crop production (net of share paid to landlord) Value of by-product production Net income from renting farm assets (draft animal, tractor, thresher etc.) Value of sales from non-crop farm production (milk, ghee, eggs etc.) Earning from the sale of livestock Value of home -produced non-crop consumption Total cash and in-kind received from tenants on land leased-out	Cultivation costs (seeds, fertilizers, hired labour, irrigation etc.) Fodder and other livestock expenditure (veterinary services) Expenditure for the purchase of livestock Cash rent paid to landlord on land leased-in
Wage Income	Value of cash and in-kind earning per year in agriculture (includes daily, piece-rate and permanent labour) Value of cash and in-kind earning per year outside agriculture (includes daily, piece-rate and permanent labour)	
Non-farm Enterprises Income	Gross revenues from non-agriculture enterprises/activities during past 12 months	Wage paid both cash and in-kind Energy expenditure Expenditure on raw material Other operating expenditure Share of net revenues paid to partners
Non-agriculture Rental Income	income from renting out non agriculture property income from renting out non agriculture assets	
Transfers	Remittances	
Owner-occupied housing	imputed rental value of housing which would had to be paid to purchase housing services	
Other Income	interest, dividends, profit earning from shares and savings/deposit accounts Pension income (Domestic and Foreign) Commission fees and royalties, other incomes	

For those households who are renting-in land, the in-kind payment to their land-lord is deducted from the total harvested quantity. The harvested values (net of in-kind rent payment to landlord) are aggregated across all crops for each household to obtain a household-level income from gross agricultural output per farming household.

The gross agricultural output value is combined with other agriculture earnings and expenditures data (from section 11.D) on income from selling of agriculture by-product and renting out of draft animal, tractor, thresher, other machinery and expenditures on seeds, fertilizers, hired labor, irrigation, and renting in of above items. Total crop income thus is gross agricultural output plus net income from section 11.D.

Income from livestock: Section 11.E1 and 11.E2 give information on livestock. Purchase and sale of cows, buffaloes, goats, yaks, poultry is combined with earnings from selling of milk, ghee, eggs, curd, meat and expenditures on animal feed, transportation of feed, veterinary services. Income from livestock is then calculated as total value of sold livestock minus total value of purchased livestock plus net income in from livestock byproduct.

Consumption of home produced non-crop goods: Section 5 has information on food expenses and home products. Several home produced non-crop goods - eggs, milk, ghee, fish, mutton, buffalo meat, chicken and other meat - have been aggregated to obtain a value of home produced non-crop consumption.

Land rent income: Section 11.A1 provides information on cash and in-kind received from renting-out cultivation land to a tenant, while section 11.A2 has information on rent paid in cash (in-kind payment has already been deducted from gross agricultural output) to a landlord for renting-in land for crop cultivation. Net income from these two sections is then added to household's aggregate farm income.

11.2.2 Wage income

The details of each wage employment activity are asked in section 10, separately for wage employment "in agriculture" and "outside agriculture" sections 10.A and 10.B respectively. Each part collects wages received by personnel to each activity either on daily, long-term or contract/piece-rate basis.

- i) *Daily wage income:* Daily wage income is calculated as cash received per day plus value of in-kind received per day multiplied by number of days worked in that particular activity, plus value of in-kind payments for the whole period.
- ii) *Long-term wage employment:* Wage received in agriculture is calculated as total cash received from that work activity for that long-term period plus daily in-kind payment multiplied by number of days worked plus in-kind payment received for the whole period.

Wage outside of agriculture is calculated as monthly payment and monthly transportation allowances times number of months each activity worked, plus bonuses, tips, allowances, clothing and any other payments received yearly from each work activity.

- iii) *Piece-rate/contract income*: Piece rate or contract basis wage income is the reported cash and in-kind received by individual per each work.

For each individual wage earner in the household, all these components are annualized and then summed up to obtain annual wage income. Wage income figures by every earner are then aggregated at a household level to obtain total wage income to each household.

11.2.3 Non-farm enterprises income

Information on household enterprises, either solely owned or in partnership, comes from section 12. Net revenues from each household enterprise (or the share owned by the household) are aggregated to get annual non-farm enterprises income for each household.

11.2.4 Non-agricultural rental income

Rental income received by household on renting-out residential property, land property and other real assets comes from section 13.C. This constitutes non-agricultural rental income.

11.2.5 Transfer income

Remittances received by household member (as cash or in-kind) are reported in section 14.B. These remittance amounts received by household during the past 12 months are aggregated for each recipient household.

11.2.6 Value of owner-occupied housing

If a household lives in a housing unit it owns or for free, this consumption needs to be included in income as home-produced consumption. The value of such consumption is the reported rental value that would have to be paid if some one wanted to rent it. When such reported values are missing or implausible, they are replaced with regression-based imputed rental values (the method is described in consumption chapter).

11.2.7 Other income

The remaining sources of income are compiled in section 15. These include earnings from savings or fixed account deposits, shares/stocks, treasury bills, employee provident fund/citizen investment fund,

internal/external pension, commission fee, royalties etc. All these income amounts are aggregated at the household level.

11.2.8 Total income

The aggregate household income is finally obtained by summing income from sources described above: farm income, wage income, non-farm enterprises, non-agricultural rental income, remittance received, owner occupied housing consumption and other income components. Per capita income is calculated by dividing household income by household size.

11.2.9 Items omitted from income aggregate

Net interest income:

Flow of resources from interest earnings from money lent to others is difficult to calculate for three reasons: NLSS does not have separate questions to distinguish between interest payments and principal repayments; between outstanding principal amounts and interest amounts; rolled over or extended loans may not involve actual transfer of payments even when a household reports a positive interest rate on the amount

Farm machinery and housing property:

Income from sales of farm machinery is not included in total income because they represent investment or disinvestment of assets rather than current income (household whose income source is trading of agriculture machinery would be included in enterprise section). Net proceeds from sale and purchase of housing or land-property are considered as changes in assets and not included in total income. Similarly, expenditure on improvement of land or building and repair and maintenance of agricultural equipment are also excluded because the reported values tend to denote investment flow and not income flow.

11.3 Levels, Sources and Distribution of Income

Levels

Table 11.1 reports the nominal *mean* and *median* household and per capita income⁴. Mean and median annual household incomes for the country in 2003/04 are Rs. 80,111 and Rs. 51,978 respectively.

⁴ 0.5 percent each of both ends of the per capita income distribution -- 39 households in total, 1 percent of all households -- are defined as outliers and excluded from the analysis. All subsequent tables are based on data without the outliers.

Average household size⁵ is 5.3. This translates to mean and median per capita income of Rs. 15,162 and Rs. 9,606⁶.

Both the mean and median incomes in urban area are more than twice of those in rural areas. Among rural areas, West Mountains/Hills have the largest mean income while East Tarai areas have the lowest. Among development regions, Far-west is the poorest in terms of nominal average (mean or median) per capita income.

Income sources

Table 11.2 describes the distribution of household income by sectoral sources⁷. This table gives the percentage share of total household income from farm income, non-farm income, remittances, consumption of own-dwelling (or rent free dwelling) and other income. Other income sources include income from renting out non-agricultural property like building or assets and earnings savings/deposit accounts, shares, pensions, etc.

Overall, about half of all household income comes from agriculture, about one-fourth from non-farm enterprises, 11 percent from remittances, and 10 percent from non-rental housing consumption. Among development regions, the West is least dependent on agriculture while the Far-west is the most dependent. Half of household income in urban areas comes from non-farm enterprises and the share of transfer income is also quite high in these areas. Among consumption quintiles, poorer households have higher shares of farm income in total income while richer ones have higher shares of non-farm income.

Table 11.2B presents the same distribution but aggregation of income amounts are done at the regional/group level first and the ratios are taken afterwards. By this approach, share of farm-income is much lower than that obtained by taking mean of household shares (48 percent in table 11.2 versus 33 percent from latter approach).

Table 11.3 disaggregates income by employment sources: wage employment, self employment and other income sources. Other sources here include renting-out of non-agricultural property, remittance, consumption of owner-occupied dwelling, renting out agricultural land and other income sources (interest, dividends, profit, payment etc. from account, share, pension, commission fee, royalties etc.).

⁵ Average household size of 3873 households after excluding outliers.

⁶ Table 11.1A per income levels include from own account production, i.e. monetary value of items produced and consumed in the household.

⁷ To preserve comparability with figures from NLSS 1995/96 report, average share of each income source to total income is calculated as the *mean* of the household shares. That is, each share is calculated at the household level first and then averaged across households in a particular region/group (Table 11.2). An alternative measure of income share in a given group is the ratio of sum of all household incomes from a certain source to sum of all incomes for all sources. Latter approach gives a lower share from farm income in particular (34 percent).

Share of self employment in total household income is almost half, and that of wage employment is 28 percent. Self employment share is considerably higher in rural areas than in urban areas.

Distribution of income

Table 11.4 and 11.5 report nominal per-capita income and cumulative share of income by deciles and quintiles. In nominal terms, the bottom 80 percent of the population earns 47 percent of total income while the richest twenty percent earns 53 percent of total income. The poorest quintile earns just 5 percent.

Table 11.6 shows the distribution of population by geographical area and nominal per capita income quintile.

Table 11.1: Nominal household income and per capita income

	Household Income (NRs.)		Per capita Income (NRs.)		Average HH size
	Mean	Median	Mean	Median	
Development Region					
East	68,310	48,482	13,000	9,288	5.3
Central	91,693	52,980	16,838	9,363	5.4
West	82,568	58,053	17,172	11,253	4.8
Mid West	74,085	49,995	13,676	9,653	5.4
Far West	66,294	48,785	11,504	8,761	5.8
Ecological Zone					
Mountain	62,374	49,292	12,295	9,726	5.1
Hill	89,932	54,981	18,299	11,295	4.9
Tarai	73,545	50,300	12,975	8,774	5.7
Urban	157,550	105,035	32,573	22,129	4.8
Kath. Valley	222,666	169,250	45,816	33,333	4.9
Other	122,635	78,900	25,420	16,558	4.8
Rural	65,107	47,200	12,124	8,774	5.4
East Mts./Hills	63,916	46,502	12,133	8,750	5.3
West Mts./Hills	64,667	49,414	13,662	9,979	4.7
East Tarai	59,974	43,065	10,617	8,000	5.6
West Tarai	78,002	55,400	13,015	9,287	6.0
Consumption Quintile					
Poorest	37,243	31,147	5,681	5,140	6.6
Second	49,240	41,771	8,127	7,292	6.1
Third	54,348	44,707	10,617	9,596	5.1
Fourth	75,076	63,942	15,073	13,494	5.0
Richest	156,486	112,962	36,415	28,008	4.3
Nepal	80,111	51,978	15,162	9,606	5.3

Table 11.1A: Per capita income with own account production income included

(Nominal Nepali Rs.)

	Mean	Median
Development Region		
East	14,129	10,282
Central	17,934	10,651
West	19,095	13,237
Mid West	15,046	10,848
Far West	12,563	9,771
Ecological Zone		
Mountain	14,245	11,876
Hill	19,823	13,120
Tarai	13,970	9,754
Urban		
	33,119	22,800
Kath. Valley	45,928	33,450
Other	26,213	17,216
Rural		
	13,534	10,112
East Mts./Hills	13,676	10,296
West Mts./Hills	15,759	12,019
East Tarai	11,640	8,941
West Tari	14,074	10,093
Consumption Quintile		
Poorest	6,657	5,971
Second	9,307	8,209
Third	12,107	10,870
Fourth	16,600	14,851
Richest	37,612	28,936
Nepal	16,454	10,872

NB: Own account income is value of non-food items produced and consumed in the household.

Table 11.2: Shares of Household Income by sectoral source

	Farm Income	Non-Farm Income	Remittance	Own housing consumption	(Percent) Others
Development Region					
East	53	26	11	7	4
Central	47	32	9	11	2
West	40	24	17	11	8
Mid West	52	30	8	9	2
Far West	54	21	11	12	2
Ecological Zone					
Mountain	59	19	9	10	3
Hill	45	28	11	12	5
Tarai	49	28	12	8	3
Urban					
	13	54	10	17	6
Kath. Valley	3	64	6	23	5
Other	19	48	12	14	6
Rural					
	55	23	11	8	3
East Mts./Hills	61	20	7	9	2
West Mts./Hills	49	22	14	10	6
East Tarai	56	24	12	6	2
West Tari	51	24	11	10	4
Consumption Quintile					
Poorest	62	23	8	6	1
Second	58	25	9	7	2
Third	56	24	10	8	2
Fourth	47	25	14	10	4
Richest	25	38	13	16	8
Nepal	48	28	11	10	4

Note: Shares may not sum upto 100 because of rounding.

Table 11.3: Shares of Household Income by employment source

	(Percent)		
	Wage	Self employment	Others
Development Region			
East	28	50	23
Central	35	43	23
West	22	40	38
Mid West	23	56	21
Far West	18	56	26
Ecological Zone			
Mountain	18	60	22
Hill	24	48	28
Tarai	33	43	24
Urban			
	35	31	34
Kath. Valley	44	22	34
Other	30	36	34
Rural			
	26	50	24
East Mts./Hills	22	59	19
West Mts./Hills	19	51	31
East Tarai	37	42	21
West Tari	24	48	28
Consumption Quintile			
Poorest	43	42	15
Second	32	50	18
Third	26	52	22
Fourth	19	51	30
Richest	23	38	39
<hr/>			
Nepal	28	47	26

Note: Shares may not sum upto 100 because of rounding.

Table 11.4: Nominal per capita income by decile

Decile	Mean per capita income (NRs.)	Share of income (%)	Cumulative share (%)
Poorest (First)	3,190	2.1	2.1
Second	4,820	3.2	5.3
Third	6,061	4.0	9.3
Fourth	7,394	4.9	14.2
Fifth	8,846	5.8	20.0
Sixth	10,545	7.0	26.9
Seventh	13,098	8.6	35.6
Eighth	16,734	11.0	46.6
Ninth	23,845	15.7	62.3
Richest (Tenth)	57,145	37.7	100
Nepal	15,162	100	

Table 11.5: Nominal per capita income by quintile.

Quintile	Mean income (NRs.)	Share of income (%)	Cumulative share (%)
Poorest (First)	4,003	5.3	5.3
Second	6,727	8.9	14.2
Third	9,697	12.8	26.9
Fourth	14,917	19.7	46.6
Richest (Fifth)	40,486	53.4	100
Nepal	15,162	100	

Table 11.6: Distribution of population by nominal per capita income quintile and geographical group

Quintile	Kathmandu	Other	Rural West	Rural East	Rural West	Rural East	Total
	Valley Urban	Urban	Hills	Hills	Tarai	Tarai	
Poorest (First)	1.2	8.6	17.5	26.4	17.0	25.9	20
Second	0.6	9.4	18.5	20.1	24.7	25.3	20
Third	3.3	17.0	23.5	16.9	25.4	21.0	20
Fourth	14.9	21.6	23.2	22.9	15.7	18.4	20
Richest (Fifth)	80.0	43.5	17.2	13.7	17.1	9.4	20
Nepal	100	100	100	100	100	100	100

CHAPTER XII: EMPLOYMENT STATUS

Percent of people classified as employed has increased from 67 in 1995/96 to 74 in 2003/04, while the share of unemployed has decreased slightly and the group classified as inactive has decreased by 6 percentage points in the same period. Implied rate of labor force participation has increased and that of unemployment has decreased. Unemployment rate among 15-24 year olds remains high at 6 percent, while that among 10-14 year olds has decreased significantly. Distribution of number of working hours per week for those employed has stayed fairly constant over the past eight years: about one-fourth in each of 1-19 hours and 20-39 hours, and the remaining half in 40 hours and more. Finally, distribution of main sector of employment indicates that the share of agriculture, both wage and self employment, has decreased from 1995/96 to 2003/04, while that of non-agriculture has not changed much. Extended economic work¹ has a share of 9 percent. Incidence of child labor² is estimated to be 31 percent among 5-14 year old children.

Table 12.0: Summary Statistics

<i>Description</i>	<i>Nepal Living Standards Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Percentage employed</i>	67.2	74.3
<i>Percentage of not active population during past 7 days</i>	29.4	22.8
<i>Labor force participant rate</i>	70.6	77.2
<i>Unemployment rate</i>	4.9	3.8
<i>Unemployed rate, age 10-14</i>	7.9	3.4
<i>Unemployed rate, age 15-24</i>	7.3	6.0
<i>Percentage of employed individuals by worked hours</i>		
<i>1 to 19 hours</i>	21.5	24.4
<i>20-39 hours</i>	25.6	23.4
<i>40 hours and above</i>	52.9	52.2
<i>Percentage of main sector of employment</i>		
<i>Share of wage agriculture</i>	12.2	6.8
<i>Share of self agriculture</i>	70.7	64.3
<i>Share of wage non agriculture</i>	9.5	10.2
<i>Share of self non agriculture</i>	7.7	9.3
<i>Share of extended economic work</i>	<i>n.a.</i>	9.4
<i>Incidence of child labor among age 05-14 year olds</i>	<i>n.a.</i>	31.4

¹ This is a new category in this NLSS II survey.

² Addition of children 5-9 year olds in the employment questionnaire allows an estimate of child labor incidence.

12.1 Introduction

NLSS II asks activity status of household members aged 5 and above. This report defines a person to be “employed” if s/he worked for at least an hour in the last seven days or was on leave temporarily. On the other hand, a person is “unemployed” if s/he did not work during the last seven days but was looking for work, was waiting to hear from a prospective employer or to start a new job or could not find work or did not know how to look for work. Others who did not work in the past seven days or did not look for work for reasons other than listed above are classified as “inactive”. This survey differs from the previous survey in that it has introduced a new category “extended economy work” that includes activities such as fodder/firewood collection and fetching of water that are not easily classified under agriculture or non-agriculture sectors. The only activity excluded from the report on employment status is household work.

12.2 Activity rates and unemployment rates

Tables 12.1 and 12.2 present activity status and unemployment rates. Overall, 74 percent of 10 years and older individuals are employed, 3 percent unemployed and 23 percent inactive. Implied labor force participation is 77 percent while unemployment rate is 4 percent. Participation rate among males is higher than that for females, but so is the unemployment rate, a somewhat contradictory result explained by higher share of “inactive” status among females. Between urban and rural areas, urban areas have much lower participation rate (62 percent vs 80 percent) and much higher unemployment rate (9 percent vs 3 percent). Among consumption quintiles, the richest quintile surprisingly has the lowest participation and highest unemployment rate. Among age-groups, age-groups 15-19 and 20-24 years have the higher unemployment rates. While there is no obvious trend in participation rates by educational attainment, unemployment rate increases steadily with education attainment level.

Table 12.3 shows unemployment rate by age-groups. 15-24 year olds have the highest unemployment rate, and this is higher for males than for females. For this age-group, urban areas have as high as 16 percent unemployment rate.

12.3 Underemployment

The extent of underemployment is seen in table 12.4, where distribution of number of working hours for employed persons is presented. In the past seven days, almost a quarter of employed workers worked for less than 20 hours, and about a quarter worked for only 20-39 hours. There are no significant differences in these distributions across regions or rural/urban areas.

12.4 Activity status during the previous year

Table 12.5 shows activity status, participation and unemployment rates based on definitions of “employed”, “unemployed” and “inactive” during the whole of past 12 months. At least a day of work is sufficient to allow a person to be classified as employed in this “yearly” definition (an hour is sufficient for past seven days). As one would expect, the participation rates are higher and unemployment rates are lower as compared to definitions under “seven-day” period.

12.5 Main sector of employment

Distribution of main sectors of employment is shown in table 12.6. Since it is possible for a worker to be engaged in multiple sectors, the sector with majority of working hours in the past seven days is considered to be the main sector. When hours are equally divided between two or more sectors, his/her main activity in the past 12 months is considered to be the main sector.

A departure from NLSS I survey is the inclusion of a new category “extended economic work” in NLSS II. Therefore, it should be noted that distribution of main sectors are not directly comparable in two reports. Agriculture wage sector’s share is 7 percent while non-agri wage’s is 10 percent. Self-employment in agriculture takes 64 percent of employed persons while that in non-agri 9 percent. Remaining 9 percent are in extended economic work sector.

Outside of self-employment in agriculture, the next main sector for males is non-agriculture wage while it is extended economic work for females. As expected, non-agriculture (both wage and self-employment) is the dominant sector in urban areas. Among consumption groups, poorer quintiles have larger shares of agriculture sector employment.

12.6 Incidence of child labor

Table 12.7 presents activity status of children aged 5-14 years. NLSS II estimates 55 percent of these children are attending school but not working, 21 percent are attending school and working, 11 percent are working only, and the remaining children are idle. This implies an overall child labor incidence of 32 percent. This is much higher among 10-14 year olds than among 5-9 year olds (50 percent vs 14 percent). Females have higher incidence than males. Rural areas have a much higher child labor incidence than urban areas. The percent of children involved in “work only” activity is

much higher for those children from the poorest consumption quintile, implying a strong association of poverty and child labor incidence.

The extent of child labor hours is examined in table 12.8, where distribution of number of working hours are shown. Approximately, 58 percent of children work less than 20 hours a week while a about a quarter of them work for 20-39 hours, and 16 percent of them work for 40 and more hours a week. Work-load as measured by share of children working for more than 20 hours a week is higher for 10-14 year olds, for females, and for children from poorer consumption quintiles.

Distribution of main sector of child employment, in table 12.9, shows that more than four-fifth of children are in agriculture self-employment sector. Extended economic work employs 15 percent of working children while other sectors have negligible shares. Exception to this general observation are children from urban areas and from the richest consumption quintile: their share is not limited to agriculture but extends to non-agriculture quite significantly.

Table 12.1: Activity status and unemployment rates (during last 7 days)

	Employed	Unemployed	Not active	Total	% individual	Participati on rate	Unemploy ment rate
(Percent)							
Gender							
Male	77.3	3.1	19.6	100	47.1	80.4	3.9
Female	71.7	2.7	25.6	100	52.9	74.4	3.6
Development Region							
East	74.9	2.9	22.1	100	25.0	77.9	3.8
Central	72.4	3.3	24.3	100	36.4	75.7	4.4
West	73.2	2.7	24.1	100	19.3	75.9	3.5
Mid West	77.0	2.8	20.3	100	12.1	79.8	3.5
Far West	80.4	1.4	18.2	100	7.2	81.8	1.7
Ecological Zone							
Mountains	86.7	1.3	12.0	100	7.0	88.0	1.5
Hills	76.0	2.1	21.9	100	43.2	78.1	2.7
Tarai	71.1	3.8	25.1	100	49.8	74.9	5.1
Urban							
	56.7	5.7	37.6	100	16.7	62.4	9.2
Kath. Valley	52.1	6.3	41.6	100	6.2	58.4	10.8
Other	59.3	5.4	35.3	100	10.5	64.7	8.3
Rural							
	77.9	2.3	19.8	100	83.3	80.2	2.9
East Mts./Hills	83.8	1.3	14.9	100	21.2	85.1	1.5
West Mts./Hills	80.9	1.1	18.0	100	19.2	82.0	1.4
East Tarai	73.1	3.5	23.4	100	27.7	76.6	4.6
West Tarai	74.4	3.2	22.5	100	15.2	77.6	4.1
Consumption Quintile							
Poorest	76.7	3.2	20.1	100	17.1	80.0	4.0
Second	79.3	2.4	18.3	100	18.6	81.7	3.0
Third	78.4	1.8	19.8	100	20.1	80.2	2.3
Fourth	76.4	2.6	21.0	100	21.3	79.0	3.3
Richest	63.0	4.3	32.7	100	22.9	67.3	6.3
Nepal	74.3	2.9	22.8	100	100	77.2	3.8

Table 12.2: Activity status and unemployment rates (during last 7 days) by age category

	Employed	Unemployed	Not active	Total	% Participati individual	on rate	Unemploym ent rate
Age group							
10-14	50.1	1.8	48.2	100	17.5	51.8	3.4
15-19	67.7	4.1	28.2	100	14.6	71.8	5.7
20-24	77.8	5.3	16.9	100	10.8	83.1	6.4
25-44	88.3	3.3	8.4	100	31.7	91.6	3.6
45-59	86.3	1.6	12.1	100	15.1	87.9	1.9
60 +	60.8	1.1	38.2	100	10.3	61.9	1.7
Edu. Attainment							
Illiterate	79.9	2.2	17.9	100	46.4	82.1	2.7
Some sch. Literate	71.5	2.0	26.5	100	7.4	73.5	2.7
Class 03-05	67.1	2.4	30.5	100	18.2	69.5	3.5
Class 06-10	69.9	3.4	26.8	100	20.1	73.3	4.6
Above 11 class	72.4	7.5	20.1	100	8.0	79.9	9.4
Nepal	74.3	2.9	22.8	100	100.0	77.2	3.8

Table 12.3: Unemployment rates by age groups

	(Percent)				
	10-14 years	15-24	25-44	45+	Total
Gender					
Male	2.4	6.7	3.9	2.2	3.9
Female	4.4	5.5	3.4	1.4	3.6
Development Region					
East	2.0	7.0	3.2	2.3	3.8
Central	4.1	6.9	4.4	2.2	4.4
West	3.1	6.4	3.4	1.4	3.5
Mid West	5.3	4.6	3.4	0.8	3.5
Far West	1.5	2.0	2.4	0.5	1.7
Ecological Zone					
Mountains	2.4	2.0	1.6	0.3	1.5
Hills	1.6	3.3	3.5	1.5	2.7
Tarai	5.6	9.2	4.1	2.3	5.1
Urban					
	9.3	16.1	8.1	4.8	9.2
Kath. Valley	10.3	14.6	11.4	6.4	10.8
Other	9.1	16.7	6.0	4.0	8.3
Rural					
	3.0	4.6	2.7	1.3	2.9
East Mts./Hills	1.1	1.5	2.1	0.9	1.5
West Mts./Hills	2.1	1.9	1.1	0.7	1.4
East Tarai	5.4	8.6	3.6	2.4	4.6
West Tarai	4.1	6.6	4.0	0.9	4.1
Consumption Quintile					
Poorest	6.4	5.4	3.9	1.1	4.0
Second	4.3	4.2	2.4	1.5	3.0
Third	0.9	4.5	1.4	1.7	2.3
Fourth	1.5	5.2	3.5	1.9	3.3
Richest	3.8	11.9	6.6	2.4	6.3
Nepal					
	3.4	6.0	3.6	1.8	3.8

Table 12.4: Distribution of employed individuals by number of hours worked

	(Percent)			
	1-19 hours	20-39 hours	40+ hours	Total
Gender				
Male	20.3	20.0	59.8	100
Female	28.4	26.7	44.9	100
Development Region				
East	26.5	24.1	49.3	100
Central	25.2	22.7	52.1	100
West	22.9	23.8	53.3	100
Mid West	18.6	25.7	55.8	100
Far West	27.5	19.5	53.0	100
Ecological Zone				
Mountains	21.9	21.4	56.6	100
Hills	22.7	23.5	53.8	100
Tarai	26.5	23.6	49.9	100
Urban				
	20.3	18.5	61.3	100
Kath. Valley	15.6	14.3	70.1	100
Other	22.7	20.6	56.7	100
Rural				
	25.1	24.1	50.8	100
East Mts./Hills	25.4	24.4	50.2	100
West Mts./Hills	19.9	24.2	55.9	100
East Tarai	28.1	24.0	47.9	100
West Tarai	26.2	23.7	50.1	100
Consumption Quintile				
Poorest	24.7	23.8	51.6	100
Second	24.2	24.2	51.6	100
Third	24.8	22.8	52.4	100
Fourth	25.6	23.6	50.8	100
Richest	22.9	22.5	54.6	100
Nepal	24.4	23.4	52.2	100

Table 12.5: Activity status and unemployment rates (based on year preceding the interview)

(Percent)

	Employed	Unemployed	Not active	Total	% Individual Participati	Unemploye	nt rate
					on rate	nt rate	
Gender							
Male	84.5	0.6	15.0	100	47.1	85.0	0.7
Female	81.6	1.1	17.3	100	52.9	82.7	1.3
Development Region							
East	83.9	0.7	15.4	100	25.0	84.6	0.9
Central	81.2	1.2	17.6	100	36.4	82.4	1.4
West	81.5	0.8	17.7	100	19.3	82.3	1.0
Mid West	85.6	0.5	14.0	100	12.1	86.0	0.6
Far West	87.9	0.3	11.8	100	7.2	88.2	0.4
Ecological Zone							
Mountains	92.8	0.1	7.2	100	7.0	92.8	0.1
Hills	83.0	0.8	16.2	100	43.2	83.8	0.9
Tarai	81.5	1.0	17.5	100	49.8	82.5	1.3
Urban	66.9	3.2	29.9	100	16.7	70.2	4.6
Kath. Valley	60.2	3.7	36.1	100	6.2	63.9	5.8
Other	70.9	3.0	26.2	100	10.5	73.9	4.0
Rural	86.2	0.4	13.5	100	83.3	86.5	0.4
East Mts./Hills	90.3	0.1	9.7	100	21.2	63.9	5.8
West Mts./Hills	87.4	0.2	12.4	100	19.2	73.9	4.0
East Tarai	83.4	0.6	15.9	100	27.7	84.1	0.8
West Tarai	83.7	0.6	15.7	100	15.2	84.3	0.7
Consumption Quintile							
Poorest	85.5	0.5	13.9	100	17.1	86.1	0.6
Second	87.3	0.4	12.4	100	18.6	87.6	0.4
Third	86.1	0.3	13.6	100	20.1	86.4	0.3
Fourth	84.7	0.9	14.4	100	21.3	85.6	1.0
Richest	73.1	1.9	25.0	100	22.9	75.0	2.6
Nepal	82.9	0.9	16.2	100	100.0	83.8	1.0

Table 12.6: Distribution of employed individuals by main sector of employment

	(Percent)					
	Wage-agri	Wage-nonagri	Self-agri	Self-nonagri	Extended economy	Total
Gender						
Male	7.2	17.9	57.9	13.2	3.9	100
Female	6.4	3.2	70.2	5.7	14.5	100
Development Region						
East	9.9	7.2	63.5	9.8	9.6	100
Central	8.5	13.9	57.8	10.8	9.0	100
West	4.4	9.0	68.3	7.6	10.7	100
Mid West	2.5	10.3	69.7	9.0	8.5	100
Far West	1.3	6.4	78.2	5.3	8.8	100
Ecological Zone						
Mountains	2.0	4.9	82.1	5.1	5.9	100
Hills	2.8	11.7	67.2	9.7	8.6	100
Tarai	11.1	9.7	58.9	9.6	10.7	100
Urban						
	1.5	29.9	29.3	27.3	12.1	100
Kath. Valley	0.5	45.8	11.8	31.5	10.4	100
Other	1.9	21.8	38.1	25.1	13.0	100
Rural						
	7.6	7.2	69.7	6.5	9.0	100
East Mts./Hills	3.8	6.4	77.9	5.9	6.1	100
West Mts./Hills	2.0	6.6	75.4	6.0	10.0	100
East Tarai	16.2	7.4	58.1	7.4	10.8	100
West Tarai	5.2	8.6	71.1	6.4	8.7	100
Consumption Quintile						
Poorest	16.6	7.0	64.1	3.3	9.0	100
Second	8.9	7.4	68.4	5.5	9.8	100
Third	5.7	8.5	71.0	5.7	9.2	100
Fourth	3.4	8.6	68.9	10.8	8.3	100
Richest	0.9	19.3	48.6	20.3	10.9	100
Nepal	6.8	10.2	64.3	9.3	9.4	100

Table 12.7: Distribution of children by activity status

	School only	School & work	Work only	Not active	(Percent) Total
Age group					
05-09	64.8	8.4	5.4	21.4	100
10-14	45.2	33.5	16.6	4.7	100
Gender					
Male	59.3	22.7	7.5	10.4	100
Female	51.1	18.3	14.2	16.4	100
Development Region					
East	55.6	19.6	11.3	13.5	100
Central	50.5	18.2	14.3	17.0	100
West	66.4	22.4	3.9	7.2	100
Mid West	53.6	22.5	11.0	12.9	100
Far West	50.9	26.4	10.6	12.2	100
Ecological Zone					
Mountains	44.2	32.0	10.3	13.5	100
Hills	55.3	25.1	10.1	9.6	100
Tarai	56.8	15.3	11.5	16.5	100
Urban					
Urban	81.9	8.4	4.0	5.7	100
Kath. Valley	92.7	3.0	2.0	2.3	100
Other	77.3	10.6	4.9	7.2	100
Rural					
Rural	51.7	22.2	11.7	14.4	100
East Mts./Hills	41.5	30.7	13.7	14.2	100
West Mts./Hills	56.3	26.5	9.0	8.1	100
East Tarai	51.8	12.9	15.5	19.8	100
West Tarai	59.2	22.2	5.8	12.8	100
Consumption Quintile					
Poorest	38.7	13.4	20.5	27.3	100
Second	48.0	23.2	11.4	17.5	100
Third	57.5	24.5	9.7	8.2	100
Fourth	62.2	26.6	5.7	5.5	100
Richest	80.0	15.0	2.7	2.3	100
Nepal	55.3	20.6	10.8	13.3	100

Table 12.8: Distribution of child workers by number of hours worked

	upto 19 hours	20-39 hours	40+ hours	Total
Age group				
05-09	63.2	26.1	10.8	100
10-14	56.5	26.3	17.1	100
Gender				
Male	59.9	25.6	14.5	100
Female	56.3	26.9	16.8	100
Development Region				
East	59.1	27.7	13.2	100
Central	55.6	27.9	16.5	100
West	67.7	23.9	8.5	100
Mid West	46.6	30.7	22.7	100
Far West	64.8	14.2	21.0	100
Ecological Zone				
Mountains	66.2	16.6	17.1	100
Hills	59.2	27.0	13.8	100
Tarai	55.1	27.5	17.4	100
Urban				
	60.8	20.6	18.6	100
Kath. Valley	35.8	31.2	33.1	100
Other	64.2	19.2	16.6	100
Rural				
	57.9	26.6	15.5	100
East Mts./Hills	61.6	26.0	12.4	100
West Mts./Hills	57.6	25.6	16.8	100
East Tarai	50.7	30.7	18.6	100
West Tarai	63.9	21.6	14.5	100
Consumption Quintile				
Poorest	54.2	27.2	18.7	100
Second	53.8	29.5	16.7	100
Third	60.5	26.1	13.4	100
Fourth	61.5	23.7	14.8	100
Richest	67.3	21.1	11.7	100
Nepal	58.1	26.3	15.7	100

Table 12.9: Distribution of child workers by main sector of child employment

	(Percent)					Total
	Wage-agri	Wage-nonagri	Self-agri	Self-nonagri	Extended economy	
Age group						
05-09	0.5	0.0	82.1	0.0	17.5	100
10-14	1.7	1.0	80.0	3.2	14.2	100
Gender						
Male	1.0	0.8	84.0	3.3	10.8	100
Female	1.8	0.7	77.0	1.5	19.0	100
Development Region						
East	2.6	0.4	80.0	2.8	14.3	100
Central	1.3	1.2	84.2	2.0	11.3	100
West	1.2	0.5	70.4	3.6	24.3	100
Mid West	0.9	1.0	82.4	1.9	13.7	100
Far West	0.0	0.0	81.7	1.8	16.5	100
Ecological Zone						
Mountains	0.8	0.4	87.7	0.8	10.2	100
Hills	0.7	0.8	82.9	1.3	14.3	100
Tarai	2.2	0.7	76.5	3.9	16.7	100
Urban						
	0.0	5.8	60.7	17.3	16.2	100
Kath. Valley	0.0	32.9	40.0	27.2	0.0	100
Other	0.0	2.2	63.4	16.1	18.3	100
Rural						
	1.5	0.5	81.6	1.6	14.9	100
East Mts./Hills	0.9	0.2	89.3	0.7	9.0	100
West Mts./Hills	0.5	0.7	78.0	1.1	19.7	100
East Tarai	3.0	0.7	77.1	2.1	17.1	100
West Tarai	1.4	0.4	79.7	3.4	15.2	100
Consumption Quintile						
Poorest	2.2	0.5	79.2	0.9	17.2	100
Second	1.4	1.2	81.2	1.6	14.7	100
Third	0.6	0.4	83.4	1.7	13.8	100
Fourth	1.9	0.4	80.1	3.3	14.4	100
Richest	0.0	1.8	76.0	9.1	13.2	100
Nepal	1.4	0.8	80.5	2.4	15.0	100

CHAPTER XIII: WAGE EMPLOYMENT

A remarkable change in wage employment in the last 8 years is probably the shift in shares of agriculture and non-agriculture sectors. Percent share of agriculture has decreased from 53 percent in 1995/96 to 37 percent in 2003/04 while that for non-agriculture has increased by 16 percentage points. Among non-agriculture industries, concentration of wage earners remains in manufacturing, construction and personal services, each of these gaining shares in 2003/04 relative to 1995/96 but only marginally. Another shift is seen in share of wage payment modality in both agriculture and non-agriculture sectors: percent of wage payees on daily basis has gone down while that for piece rate/contract or longer basis has gone up noticeably. Finally, average nominal daily wages have increased by 87 percent in agriculture and by 80 percent in non-agriculture in the last eight years.

Table 13.0: Summary Statistics

(Percent)

<i>Description</i>	<i>Nepal Living Standards Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Share of agriculture sector in wage employment</i>	53	37
<i>Share in non-agriculture wage employment</i>		
<i>Manufacturing</i>	21	24
<i>Construction</i>	30	35
<i>Personal services</i>	25	26
<i>Mode of Payment</i>		
<i>Daily in agriculture</i>	98	88
<i>Daily in non-agriculture</i>	65	47
<i>Mean Daily wage (NRs.)</i>		
<i>Agriculture</i>	40	75
<i>Non-agriculture</i>	74	133

13.1 Introduction

This chapter describes wage employment in terms of sectoral distribution, industry breakdown in non-agricultural sector, modality of wage payments and size of daily wage rates.

13.2 Wage Employment by Main Sector

Table 13.1 shows the distribution of wage earners by agriculture and non-agriculture sectors³. Overall, agriculture constitutes 37 percent of the wage employment, remaining going to non-agriculture. There is a large gender gap in these shares: 72 percent of male wage earners are in non-agriculture while only 36 percent of female wage earners are in this sector.

Among development regions, the East has the highest share of agriculture wage earners, while both the Mid-West and Far-West show the lowest share, about 15 percent in the sector. Among ecological zones, Hills have the lowest participation in agriculture. In rural areas, West Hills/mountains have the smallest share of wage earners (23 percent) in agriculture, possibly because of huge migration of agri-wage earners from these areas.

By consumption quintiles, the richer the group higher is the share of non-agriculture in wage employment. While less than a third of wage employees from the poorest quintile are in non-agriculture, the richest quintile has 97 percent of its wage earners in this sector. Distribution of wage employment by age-group shows that relatively more productive age-groups, i.e. 15-24 and 25-44 have relatively higher participation in non-agriculture while those from very young age-group, 10-14 and older groups, 45 and above, are mostly in agriculture.

Table 13.2 presents column-wise distribution of wage earners. While males constitute 59 percent of agricultural wage employment, females make up for only 14 percent in non-agri sector. Among consumption quintiles, poorer quintiles take up larger shares in agriculture while richer ones have larger shares in non-agriculture.

13.3 Distribution of Non-agriculture Wage Employment by Industry

As seen in table 13.3, construction (35 percent), personal services (26 percent) and manufacturing (24 percent) are the three main industries that take up wage employment in non-agriculture in the whole country. Trade and transport come next. By gender, most males are in construction (37 percent) while most females are in personal services (42 percent). In urban areas, while the three main industries

³ A wage-worker is defined to be in agriculture if his/her current activity is primarily agriculture. When number of hours are equally divided between two sectors, that worker's usual activity sector in the past 12 months is considered.

have large shares, trade, transport and financial services also have noticeable shares relative to those in rural areas. Similarly, wage employees from richer quintiles seem to have higher participation in personal and financial services relative to those from poorer families.

13.4 Basis of Wage Payment

Distribution of wage earners by mode of payment is shown in table 13.4. Agriculture sector pays 88 percent of its wage workers on daily basis while the remaining are paid on piece rate, contract or longer term (weekly/monthly) salary. Non-agriculture sector, however, shows a different story. Less than half of its workers are paid on daily basis. While there are no male-female differences in agriculture sector wage mode of payment, smaller share of females seem to be paid on daily basis in non-agriculture. Urban areas have very large share of daily wage earners in agriculture, while only 20 percent of such daily earners in non-agriculture. In rural areas, daily wage shares still dominate both agriculture and non-agriculture. An obvious trend is seen in non-agriculture mode of payment by consumption quintiles- the richer the quintile of the wage earner, higher is the proportion of non-daily basis payment.

13.5 Daily Wage Rates

Average daily wages are presented in table 13.5. Overall, average agriculture nominal daily wages are Rs. 75 in total, Rs 58 in cash and Rs. 30 in-kind⁴. Non-agriculture daily wages are Rs 133 in total, Rs 118 in cash and Rs 42 in-kind.

There are noticeable gender differences in daily wages, and so are the gaps between rural and urban areas. Among rural areas, east and west mountains/hills and west Tarai have similar daily wages in agriculture, while that in east Tarai lags behind other regions significantly. The story is similar in non-agriculture sector.

⁴ Sum of cash and in-kind do not necessarily equal to total daily wage because cash and in-kind are averaged over non-zero values while it is possibly for them to be independently zero.

Table 13.1: Distribution of wage earners by main sector of activity, row-wise

	Wage in agriculture	Wage in non- agriculture	(Percent) Total
Gender			
Male	28.5	71.5	100
Female	63.7	36.3	100
Development Region			
East	54.7	45.3	100
Central	35.0	65.0	100
West	30.5	69.5	100
Mid West	16.7	83.3	100
Far West	14.4	85.6	100
Ecological Zone			
Mountains	24.1	75.9	100
Hills	17.5	82.5	100
Tarai	49.7	50.3	100
Urban			
	3.6	96.4	100
Kath. Valley	0.6	99.4	100
Other	6.5	93.5	100
Rural			
	48.1	51.9	100
East Mts./Hills	33.4	66.7	100
West Mts./Hills	22.8	77.2	100
East Tarai	65.7	34.4	100
West Tarai	33.6	66.4	100
Consumption Quintile			
Poorest	67.8	32.2	100
Second	50.9	49.2	100
Third	37.9	62.1	100
Fourth	25.8	74.2	100
Richest	3.4	96.6	100
Age Group			
10-14	59.5	40.5	100
15-24	35.8	64.2	100
25-44	33.7	66.3	100
45-59	40.1	59.9	100
60+	58.3	41.7	100
Nepal	36.8	63.2	100

Table 13.2: Distribution of wage earners by main sector of activity, column-wise

	(Percent)		
	Wage in agriculture	Wage in non-agriculture	Total
Gender			
Male	59.0	86.4	76.3
Female	41.0	13.6	23.7
Development Region			
East	37.5	18.1	25.2
Central	44.1	47.8	46.4
West	12.8	17.0	15.4
Mid West	4.3	12.5	9.5
Far West	1.4	4.7	3.5
Ecological Zone			
Mountains	2.1	3.9	3.2
Hills	17.8	48.9	37.4
Tarai	80.1	47.3	59.4
Urban			
	2.5	38.8	25.4
Kath. Valley	0.2	19.4	12.4
Other	2.3	19.3	13.1
Rural			
	97.5	61.2	74.6
East Mts./Hills	12.5	14.6	13.8
West Mts./Hills	6.7	13.1	10.8
East Tarai	67.0	20.4	37.6
West Tarai	11.4	13.1	12.4
Consumption Quintile			
Poorest	43.0	11.9	23.3
Second	25.6	14.4	18.6
Third	18.1	17.4	17.6
Fourth	11.0	18.4	15.7
Richest	2.3	37.9	24.8
Age Group			
10-14	2.9	1.2	1.8
15-24	23.5	24.6	24.2
25-44	47.0	53.9	51.3
45-59	20.5	17.8	18.8
60+	6.2	2.6	3.9
Nepal	100.0	100.0	100.0

Table 13.3: Distribution of wage earners by industry

	(Percent)								
	Mining	Manufacture	Electric	Construction	Trade	Transport	Finance	Personal	Total
Gender									
Male	1.1	22.6	1.7	37.4	4.7	6.5	3.3	22.8	100
Female	0.5	28.9	0.3	23.1	2.1	1.0	2.3	41.8	100
Development Region									
East	0.2	20.3	0.3	36.8	3.0	5.6	1.8	32.1	100
Central	0.8	31.6	1.5	26.6	5.8	7.0	4.1	22.7	100
West	1.9	16.8	3.6	38.5	2.8	6.3	2.3	27.8	100
Mid West	1.2	15.1	0.7	50.3	4.3	2.5	4.2	21.8	100
Far West	1.6	15.3	0.9	47.3	2.1	2.9	1.7	28.2	100
Ecological Zone									
Mountains	0.9	17.7	2.9	39.9	1.4	1.5	1.1	34.6	100
Hills	1.0	21.4	1.1	30.9	4.5	5.6	4.1	31.4	100
Tarai	1.0	26.7	1.7	39.2	4.4	6.4	2.5	18.2	100
Urban									
	1.0	27.6	2.0	17.7	7.8	7.4	8.3	28.2	100
Kath. Valley	0.5	31.4	0.6	14.1	10.7	8.6	9.0	25.3	100
Other	1.6	23.9	3.3	21.3	5.0	6.3	7.5	31.2	100
Rural									
	1.0	22.1	1.3	41.4	3.0	5.1	1.4	24.7	100
East Mts./Hills	0.5	20.5	1.6	31.9	2.2	5.2	1.1	37.1	100
West Mts./Hills	1.8	14.3	1.7	46.7	1.5	2.5	2.1	29.4	100
East Tarai	0.5	32.5	0.7	41.0	3.5	6.9	0.7	14.1	100
West Tarai	1.3	17.5	1.3	48.9	5.4	5.3	2.0	18.4	100
Consumption Quintile									
Poorest	1.2	20.1	0.4	53.7	1.4	4.1	0.4	18.8	100
Second	0.8	25.2	0.9	44.2	4.1	5.7	2.1	16.9	100
Third	0.7	25.7	0.8	44.5	3.5	4.7	0.8	19.4	100
Fourth	0.9	24.6	2.9	32.0	7.2	4.5	1.7	26.1	100
Richest	1.2	22.1	2.1	12.2	4.9	8.3	8.6	40.7	100
Age Group									
10-14	0.0	20.5	0.0	40.5	5.3	7.6	0.0	26.1	100
15-24	1.0	28.8	1.1	34.6	4.6	4.6	3.9	21.5	100
25-44	1.1	23.3	1.6	33.4	5.1	6.8	2.9	25.9	100
45-59	0.7	19.2	1.9	37.7	2.0	4.4	3.2	30.9	100
60+	0.5	14.9	0.0	54.8	0.0	3.4	4.1	22.4	100
Nepal	1.0	23.5	1.5	35.3	4.3	5.7	3.2	25.6	100

Table 13.4: Distribution of wage earners by mode of payment

(Percent)

	Paid on daily basis (Yes/No)					
	Agriculture			Non-agriculture		
	Yes	No	Total	Yes	No	Total
Gender						
Male	87.3	12.7	100	49.0	51.0	100
Female	89.0	11.0	100	36.1	63.9	100
Development Region						
East	87.6	12.4	100	48.7	51.3	100
Central	84.4	15.6	100	38.6	61.4	100
West	98.8	1.2	100	54.0	46.1	100
Mid West	94.0	6.0	100	55.1	44.9	100
Far West	93.0	7.1	100	63.1	36.9	100
Ecological Zone						
Mountains	97.7	2.3	100	59.5	40.5	100
Hills	98.9	1.2	100	38.9	61.1	100
Tarai	83.3	16.7	100	54.0	46.0	100
Urban	96.4	3.6	100	19.8	80.2	100
Kath. Valley	100.0	0.0	100	12.1	87.9	100
Other	95.9	4.1	100	27.4	72.6	100
Rural	87.8	12.2	100	56.6	43.4	100
East Mts./Hills	99.2	0.8	100	50.4	49.7	100
West Mts./Hills	97.3	2.7	100	56.1	43.9	100
East Tarai	79.9	20.1	100	56.9	43.1	100
West Tarai	95.1	5.0	100	65.7	34.3	100
Consumption Quintile						
Poorest	85.8	14.2	100	73.0	27.0	100
Second	85.5	14.5	100	60.6	39.4	100
Third	91.2	8.8	100	58.9	41.1	100
Fourth	93.3	6.7	100	44.3	55.7	100
Richest	92.6	7.4	100	13.4	86.6	100
Age Group						
10-14	82.6	17.4	100	48.7	51.3	100
15-24	91.4	8.6	100	49.2	50.8	100
25-44	85.9	14.1	100	44.9	55.1	100
45-59	89.2	10.8	100	48.5	51.5	100
60+	95.4	4.6	100	59.3	40.7	100
Nepal	88.1	11.9	100	47.1	52.9	100

Table 13.5: Average daily wages in cash/kind received by wage earners

	(in current Rs.)					
	Agriculture Sector			Non-agriculture Sector		
	Cash	Kind	Total	Cash	Kind	Total
Gender						
Male	68	32	85	122	42	137
Female	48	29	65	85	40	101
Development Region						
East	46	36	65	115	56	127
Central	57	27	73	117	37	135
West	70	25	91	128	33	144
Mid West	70	36	89	115	42	124
Far West	64	39	86	107	57	127
Ecological Zone						
Mountains	56	28	82	135	56	158
Hills	65	32	91	129	46	151
Tarai	55	30	68	106	34	115
Urban	71	23	88	152	48	163
Kath. Valley	106	30	135	218	98	238
Other	67	22	83	123	32	130
Rural	58	31	75	113	41	129
East Mts./Hills	59	32	86	123	53	148
West Mts./Hills	66	29	91	121	40	141
East Tarai	48	30	61	101	32	110
West Tarai	70	31	89	113	41	122
Consumption Quintile						
Poorest	51	31	67	105	42	122
Second	57	30	75	111	45	124
Third	63	31	81	112	38	127
Fourth	65	30	83	126	35	138
Richest	70	29	88	177	56	201
Age Group						
10-14	45	28	64	74	24	86
15-24	60	29	78	113	45	126
25-44	57	31	74	120	43	134
45-59	60	30	75	119	38	135
60+	61	31	77	128	39	150
Nepal	58	30	75	118	42	133

Table 13.6: Median daily wages in cash/kind received by wage earners

	(in current Rs.)					
	Agriculture Sector			Non-agriculture Sector		
	Cash	Kind	Total	Cash	Kind	Total
Gender						
Male	60	25	70	100	30	125
Female	50	25	60	72	30	90
Development Region						
East	50	30	60	100	35	100
Central	50	20	60	100	30	120
West	60	20	80	120	20	140
Mid West	60	30	80	100	40	120
Far West	60	30	80	100	60	120
Ecological Zone						
Mountains	50	20	70	100	45	140
Hills	50	25	80	120	35	140
Tarai	50	25	60	100	26	100
Urban						
Kath. Valley	70	30	100	200	100	200
Other	60	20	75	100	25	100
Rural						
East Mts./Hills	50	25	70	100	40	144
West Mts./Hills	50	25	80	100	30	132
East Tarai	40	25	60	100	26	100
West Tarai	65	25	80	100	40	100
Consumption Quintile						
Poorest	50	25	60	100	30	100
Second	50	25	70	100	40	110
Third	50	25	70	100	30	120
Fourth	60	25	70	120	30	130
Richest	60	20	80	150	40	170
Age Group						
10-14	50	20	60	80	15	90
15-24	50	25	70	100	40	110
25-44	50	25	65	100	30	125
45-59	50	25	65	100	30	130
60+	50	26	65	100	30	147
Nepal	50	25	65	100	30	120

CHAPTER XIV: NONFARM ECONOMIC ACTIVITIES

Between 1995/96 and 2003/04, percent of households operating non-farm enterprises has increased from 24 to 28. While trade had the largest proportion (52 percent) followed by manufacturing (30 percent) and services (14 percent) among non-farm activities eight years ago, these three industries have approximately equal shares of about 30 percent each now. 19 percent of these household enterprises have formal registration, an increase from 12 percent from the last survey. In nominal terms, per enterprise total revenues and expenditures have almost tripled while net revenues have more than doubled during this period. While there is no significant change in distribution of these enterprises by years of operation, there has been an increase in shares of such activities that operate for 10-12 months a year implying a reduction in seasonal dependence.

Table 14.0: Summary Statistics

Description	Nepal Living Standards Survey	
	1995/96	2003/04
Percentage of sample households with enterprises	24.2	28.3
Percentage Share of Manufacturing	29.9	30.8
Percentage Share of Trade	52.1	31.7
Percentage Share of Service	14.3	29.2
Percentage of Registered Enterprises	11.7	19.6
Percentage of Enterprises Operating for 10 to 12 months	54.5	64.9
Gross Revenue (in NRs.)	109,069	315,176
Total Expenditure (in NRs.)	83,663	265,150
Net revenue (in NRs.)	24,717	50,017

14.1 Introduction

A household is said to be operating a non-farm enterprise if a member of that household reports to be self-employed in a non-agricultural activity. This chapter looks at non-farm enterprises, their distribution by industry types, ownership, registration status, revenues and expenditures and length and seasonality of operation.

14.2 Non-farm Enterprises and Their Distribution by Industry

Table 14.1 shows proportion of households that operate non-farm enterprises and their distribution by industry types. 28 percent of sampled households in NLSS II have some kind of non-farm activities. Relative to rural areas, urban areas have higher incidence of household non-farm enterprises (23 percent vs 41 percent). And as one would expect, a higher percent of households from the richest consumption quintile operate these activities.

Distribution of enterprises by industry types indicates that manufacturing, trade and services have more or less equal shares among them while others category has the remaining 8 percent share. Trade has the largest share in urban areas while manufacturing leads in rural areas. Households from the poorest consumption quintile have disproportionately higher share of manufacturing enterprises while those from the richest quintile have trade as the dominant type.

14.3 Ownership, Registration and Hired Labor

Majority of enterprises are owned by individual households and only 3 percent have shared ownership (see table 14.2). Shared ownership is higher in urban areas and among service enterprises. One-fifth of enterprises have formal registration, and again this is higher in urban areas and among service enterprises. 14 percent of enterprises employ hired labor in the whole country, this proportion being much larger in urban areas and among manufacturing enterprises. As seen in table 14.3, a third of all enterprises employ just a single hired worker, while half of them employ 2-9 workers and 14 percent employ 10 or more workers. Not surprisingly, urban area enterprises have a bigger hired labor size.

14.4 Revenues and Expenditures

Per enterprise, revenues and expenditures are shown in table 14.4. Net revenues are higher among service enterprises in absolute amounts and as percentage share of total revenues. Urban area enterprises, especially those in Kathmandu Valley, have large net revenues in absolute levels but not necessarily as share of total sales. In terms of expenditures, manufacturing enterprises have larger wage bills while service enterprises have large capital outlays.

14.5 Duration of Operation

Tables 14.5 and 14.6 show non-farm enterprises by months and years of operation. More than three-fourths of enterprises are 3 years or older in the country. Rural-urban differences or industry-type differences are not so significant. Months of operation indicates seasonality of an enterprise. On the whole, 65 percent of enterprises operate for 10-12 months. Only about one-tenth share operate for 3 months or less. Enterprises from urban areas, trade industry, richer households and those with better formal registration record seem to operate all year round.

Table 14.1: Distribution of household non-farm activities by type

	Household with enterprises			Percentage distribution of enterprises				
	Household Number	% of sample hh	No. of enterprise	Manufacturing ¹	Trade	Services	Other	Total
Development Region								
East	301	33.4	396	27.7	33.2	28.8	10.3	100
Central	465	31.0	555	30.6	32.6	30.7	6.0	100
West	147	18.8	172	43.2	36.3	18.9	1.6	100
Mid West	118	25.9	150	30.3	20.8	41.1	7.9	100
Far West	74	26.8	92	23.6	29.2	21.4	25.9	100
Ecological Zone								
Mountain	105	27.3	132	18.3	15.6	46.8	19.3	100
Hill	514	27.1	607	38.1	29.6	28.8	3.5	100
Tarai	486	29.8	626	26.8	35.9	26.7	10.6	100
Urban	475	40.8	599	27.9	37.7	30.1	4.4	100
Kath. Valley	176	43.1	202	28.3	42.1	28.2	1.4	100
Other	299	39.6	397	27.7	35.4	31.0	5.9	100
Rural	630	22.9	766	31.9	29.5	28.8	9.9	100
East Mts./Hills	200	26.0	237	32.2	20.6	42.2	5.0	100
West Mts./Hills	139	18.4	171	43.8	24.3	21.7	10.2	100
East Tarai	214	26.2	266	29.6	36.6	20.4	13.5	100
West Tari	77	18.9	92	19.3	35.6	35.9	9.2	100
Consumption Quintile								
Poorest	108	20.0	126	41.0	14.8	29.6	14.6	100
Second	133	21.9	151	32.2	31.5	26.4	10.0	100
Third	172	23.0	207	28.8	26.8	36.2	8.2	100
Fourth	234	29.4	305	34.1	36.7	20.1	9.0	100
Richest	458	37.5	576	25.5	36.5	32.7	5.3	100
Nepal	1105	28.2	1365	30.8	31.7	29.2	8.4	100

¹ It includes mining and quarrying, manufacturing, construction and electricity.

Table 14.2: Distribution of household non-farm activities by ownership, registration and hired labour

(Percent)

	Ownership			Registration			Hired labour		
	Household	Shared	Total	Yes	No	Total	Yes	No	Total
Development Region									
East	95.9	4.1	100	13.1	86.9	100	11.3	88.7	100
Central	95.8	4.2	100	21.1	78.9	100	17.2	82.8	100
West	98.3	1.7	100	21.0	79.1	100	13.8	86.2	100
Mid West	98.7	1.4	100	32.2	67.8	100	10.9	89.1	100
Far West	99.3	0.7	100	19.8	80.2	100	14.5	85.5	100
Ecological Zone									
Mountain	99.2	0.8	100	3.1	96.9	100	4.4	95.6	100
Hill	96.1	3.9	100	21.0	79.0	100	15.6	84.4	100
Tarai	96.8	3.2	100	21.2	78.8	100	14.1	85.9	100
Urban	92.2	7.8	100	40.1	59.9	100	28.1	71.9	100
Kath. Valley	91.8	8.2	100	40.8	59.2	100	34.9	65.1	100
Other	92.4	7.6	100	39.7	60.3	100	24.6	75.4	100
Rural	98.4	1.6	100	11.9	88.1	100	8.6	91.4	100
East Mts./Hills	97.7	2.3	100	7.1	92.9	100	7.3	92.7	100
West Mts./Hills	98.8	1.2	100	13.5	86.5	100	5.5	94.5	100
East Tarai	98.2	1.9	100	8.4	91.6	100	9.0	91.0	100
West Tari	100.0	0.0	100	30.2	69.8	100	15.3	84.7	100
Industry Group									
Industry	97.2	2.9	100	15.4	84.6	100	17.8	82.2	100
Trade	98.4	1.7	100	18.6	81.4	100	10.5	89.5	100
Service	94.3	5.7	100	28.8	71.2	100	15.7	84.4	100
Others	97.4	2.7	100	7.4	92.6	100	7.1	92.9	100
Nepal	96.7	3.3	100	19.6	80.4	100	14.0	86.1	100

Table 14.3: Distribution of household non-farm activities by size of hired workers

	(Percent)			
	1 worker	2-9 workers	10+ workers	Total
Development Region				
East	38.9	53.8	7.4	100
Central	29.9	49.6	20.4	100
West	28.4	55.2	16.5	100
Mid West	35.6	64.4	0.0	100
Far West	55.6	39.4	5.0	100
Ecological Zone				
Mountain	14.7	50.4	35.0	100
Hill	29.0	59.7	11.3	100
Tarai	40.0	45.3	14.6	100
Urban				
Urban	25.5	57.1	17.5	100
Kath. Valley	22.6	60.1	17.3	100
Other	27.5	54.9	17.6	100
Rural				
Rural	45.2	45.9	8.9	100
East Mts./Hills	38.4	53.2	8.4	100
West Mts./Hills	25.3	74.8	0.0	100
East Tarai	50.3	32.5	17.2	100
West Tari	54.6	45.4	0.0	100
Industry Group				
Industry	24.2	53.6	22.2	100
Trade	46.4	45.5	8.1	100
Service	38.6	54.7	6.7	100
Others	27.6	54.2	18.2	100
Nepal	34.3	52.1	13.6	100

Table 14.4: Average revenue and expenditure of household non-farm activities

	Gross revenue Mean (Rs)	Net revenue Mean (Rs)	Total expenditure Mean (Rs)	Expenditure on wages Mean (Rs)	Capital expenditure Mean (Rs)
Development Region					
East	121,608	25,135	96,474	6,577	1,671
Central	557,131	72,355	484,777	119,031	10,450
West	250,825	56,969	193,855	18,560	6,988
Mid West	227,120	54,727	172,392	5,677	3,055
Far West	226,684	29,383	197,301	11,511	3,648
Ecological Zone					
Mountain	33,414	15,143	18,272	2,813	211
Hill	522,244	79,326	442,918	102,998	9,787
Tarai	194,417	32,134	162,284	13,487	3,561
Urban					
	846,984	116,583	730,402	166,137	16,226
Kath. Valley	1,754,761	209,291	1,545,470	431,619	31,369
Other	391,067	70,021	321,045	32,802	8,620
Rural					
	115,489	25,024	90,465	5,228	1,928
East Mts./Hills	61,705	19,477	42,228	2,721	1,479
West Mts./Hills	144,846	38,388	106,457	2,068	1,418
East Tarai	100,170	16,492	83,678	9,024	1,387
West Tari	228,411	40,925	187,487	4,340	5,255
Consumption Quintile					
Poorest	22,102	9,436	12,666	1,228	315
Second	50,603	16,867	33,736	578	685
Third	68,651	12,243	56,408	9,309	1,401
Fourth	108,564	27,102	81,462	3,132	1,124
Richest	782,874	111,327	671,547	135,904	15,158
Industry Group					
Industry	491,207	39,884	451,323	13,407	2,502
Trade	279,000	53,661	225,339	8,393	2,554
Service	206,923	64,640	142,283	10,915	14,515
Others	182,921	22,598	160,323	9,571	322
Nepal	315,167	50,017	265,150	49,151	5,831

Table 14.5: Distribution of household non-farm activities by years of operation

	(Percent)					
	<=1 yr	1-2 yr	3-5 yr	5-10 yr	>10 yrs	Total
Development Region						
East	11.9	9.9	25.0	24.7	28.6	100
Central	15.6	9.9	20.5	19.7	34.3	100
West	18.9	11.3	24.4	23.3	22.1	100
Mid West	13.0	7.9	33.2	17.5	28.5	100
Far West	19.9	10.2	32.9	21.4	15.6	100
Ecological Zone						
Mountain	3.7	7.3	30.8	24.7	33.5	100
Hill	16.4	9.2	22.6	19.7	32.1	100
Tarai	15.2	10.8	25.4	22.8	25.8	100
Urban	17.2	10.6	22.5	19.3	30.4	100
Kath. Valley	16.3	7.3	21.1	23.5	31.8	100
Other	17.6	12.3	23.3	17.1	29.6	100
Rural	13.9	9.6	25.5	22.6	28.5	100
East Mts./Hills	12.3	9.5	21.7	20.2	36.4	100
West Mts./Hills	13.8	8.6	29.0	19.6	29.0	100
East Tarai	12.9	10.1	23.8	24.9	28.3	100
West Tari	20.3	9.7	33.1	25.4	11.5	100
Consumption Quintile						
Poorest	9.7	8.7	24.5	19.3	37.8	100
Second	11.0	8.0	25.4	24.3	31.3	100
Third	18.4	9.2	21.1	19.8	31.5	100
Fourth	12.4	11.2	28.7	23.5	24.2	100
Richest	17.8	10.4	23.6	21.1	27.2	100
Industry Group						
Industry	11.5	7.4	18.8	23.6	38.7	100
Trade	15.2	11.6	31.0	22.7	19.6	100
Service	18.7	10.9	23.3	17.5	29.5	100
Others	11.4	9.0	27.4	25.2	27.1	100
Nepal	14.8	9.9	24.7	21.7	29.0	100

Table 14.6: Distribution of household non-farm activities by month of operation

	(Percent)				
	upto 3 month	3 - 6 month	7 - 9 month	10 -12 month	Total
Development Region					
East	12.5	14.7	11.4	61.4	100
Central	9.8	12.4	8.9	68.9	100
West	6.5	14.7	8.9	69.9	100
Mid West	16.0	9.6	9.3	65.2	100
Far West	22.6	17.0	11.1	49.3	100
Ecological Zone					
Mountain	36.7	16.5	5.9	40.9	100
Hill	10.4	11.5	8.3	69.8	100
Tarai	9.0	14.5	11.8	64.7	100
Urban					
	6.6	9.1	5.4	78.9	100
Kath. Valley	6.7	3.8	3.2	86.3	100
Other	6.6	11.7	6.5	75.2	100
Rural					
	13.7	15.1	11.6	59.6	100
East Mts./Hills	17.7	16.0	10.2	56.0	100
West Mts./Hills	18.6	14.1	7.3	60.1	100
East Tarai	9.6	16.4	14.0	60.1	100
West Tari	9.9	11.0	14.3	64.9	100
Consumption Quintile					
Poorest	22.8	22.1	14.9	40.2	100
Second	10.3	16.0	6.4	67.4	100
Third	14.3	15.2	13.1	57.4	100
Fourth	11.0	14.1	9.6	65.4	100
Richest	8.0	8.2	8.2	75.6	100
Industry Group					
Industry	11.3	17.4	9.9	61.3	100
Trade	6.2	10.4	6.8	76.6	100
Service	16.5	12.0	11.6	59.9	100
Others	18.6	15.5	15.4	50.5	100
Hired Anyone					
Yes	5.1	8.3	14.7	71.9	100
No	12.9	14.3	9.1	63.7	100
Registration					
Yes	4.5	5.1	7.1	83.3	100
No	13.6	15.5	10.6	60.4	100
Location					
Home	11.2	13.6	7.3	67.9	100
Other Fixed Place	9.1	7.3	9.7	73.9	100
Other Variable places	16.3	21.1	14.7	47.9	100
Nepal	11.8	13.4	9.9	64.9	100

CHAPTER XV: REMITTANCES AND TRANSFER INCOME

The proportion of households receiving remittances has increased from 23 percent in 1995/96 to 32 percent in 2003/04. Average amount of transfer earnings per recipient household has more than doubled in nominal terms in the same period. Other significant change is in the share of these remittances by source: within Nepal and from India accounted for more than 75 percent of these eight years ago. Now, those from other countries including the Gulf account for more than half of the share. For those households with positive remittance earnings, their share in total income has increased from 27 to 35 percent. Overall, total amount of remittance received has increased from about 13 billion NRs. to more than 46 billion NRs. in nominal terms, while per capita remittance for the entire country has more than tripled in nominal terms between two rounds of NLSS.

Table 15.0: Summary Statistics

Description	Nepal Living Standards Survey	
	1995/96	2003/04
Percent of all households receiving remittances	23.4	31.9
Average amount of remittance per recipient household (nominal NRs.)	15,160	34,698
Share of remittances received by household from within Nepal	44.7	23.5
From India	32.9	23.2
From other countries	22.4	53.3
Share of remittances in total household income among recipients	26.6	35.4
Per capita remittance amount for all Nepal (nominal NRs.)	625	2,100
Total amount of remittance received (nominal NRs.)	12,957,840,907	46,365,466,726

15.1 Introduction

Remittance in this chapter is defined as a transfer income received by a household within the last 12 months. All incomes transferred from a single source (individual/household) is counted as one remittance.

15.2 Remittances Received by Households

Table 15.1 presents the number and size of remittances received. The proportion of households that receive remittances is 32 percent in Nepal, a increase from 23 percent in 1995/96. Rural areas have higher proportion of recipients relative to their urban counterparts. In particular, 40 percent of households in rural West Mountains/Hills receive transfer income.

The average income transfer in the form of remittance is Rs 34,698 (in current prices) per recipient household in 2003/04. Among development regions, the amount is the highest in the West (Rs 45,805) and the lowest in the Far-west (Rs 15,679). The difference between urban and rural is more than twice (Rs. 68,981 versus Rs. 29,530). The amount in Kathmandu valley urban is even higher (Rs. 118,998). Disparity among consumption groups is very severe: Rs 65,514 for the richest quintile versus Rs 13, 906 for the poorest quintile.

Per capita remittance- perhaps a better indicator for the whole population- stands at NRs. 2100. Urban areas have double the size of rural areas but the strongest association is seen with the level of household consumption. The poorest consumption quintile receives one-eighth of what the richest quintile receives in per capita terms.

15.3 Donor and Source of Remittances

15.3.1 Number of remittance by source

Remittances flow from internal and external sources. As seen in table 15.2, majority of remittances come from within the country, followed by India and other countries. The Far-west and the Mid-west have higher shares from India.

15.3.2 Size of remittance by source

Perhaps a better indicator of source shares is by size of transfer incomes. Table 15.3 summarizes number, size and share of remittances by source. NLSS II estimates that the total amount of remittance in the country is NRs 46 billions in nominal terms. India accounts for 23 percent, three Arab countries for 27 percent, other countries for 17 percent and internal sources for the remaining share. This is a large shift from eight years ago when internal sources and India accounted for more than three-fourth of the total amount.

15.3.3 Work activity

Majority of remittance-senders work as wage employees in non-agriculture sector (72 percent), specially among those abroad where the share is as high as 90 percent (Table 15.5).

Table 15.6 presents distribution of primary work activity of senders. Most of senders in agriculture wage employment are from India, and the same is true for non-agriculture wage employment.

15.3.4 Donor-recipient Relationship

Table 15.7 summarizes the donors' relationship with recipients by gender. 89 percent of donors are males while only 51 percent of recipients are males. Among donors, 50 percent are sons/daughters of recipients, 22 percent husbands/wives and 11 percent fathers/ mothers.

15.3.5 Donor's age

As expected, majority of remittance senders are aged 15-44 but female senders tend to be younger than their male counterparts (Table 15.8).

15.3.6 Means of transferring remittance

Table 15.9 displays the number of remittances by means of transfer and origin. Of the total remittances, 78 percent of remittances are transferred by person, 6 percent via financial institution and 2 percent via *Hundi* and 14 percent from other means. This pattern generally follows in most cases, except from Malaysia where majority of the remittances are sent through financial institution (55 percent).

15.4 Remittance Share in Income

Table 15.4 shows the contributing share of remittances in total household income. About 35 percent of all household income comes from remittances earnings in Nepal. Interestingly enough, there are quite small differences among the geographical groups and consumption quintiles. This is probably explained by the fact that these shares are for households with positive remittances only and they would differ across groups if the analysis included all households.

Table 15.1: Number and size of remittances received

	No. of HHs receiving remittances	Percent of HHs receiving remittances	No. of remittances received by HHs	Average no. of remittance among recipient HHs	Average amount of remittance among recipient HHs (Rs.)	Average per capita remittance received (Rs.)
Development Region						
East	298	33.4	367	1.24	33,964	2,161
Central	358	25.3	458	1.29	38,046	1,774
West	307	40.0	374	1.22	45,805	3,817
Mid West	136	30.4	170	1.27	16,575	930
Far West	108	38.9	128	1.15	15,679	1,063
Ecological Zone						
Mountains	121	31.4	144	1.19	25,583	1,588
Hills	573	31.9	706	1.24	35,289	2,292
Tarai	513	32.1	647	1.25	35,533	2,012
Urban	297	25.4	371	1.26	68,981	3,637
Kath. Valley	59	14.0	70	1.17	118,998	3,447
Other	238	31.7	301	1.28	56,807	3,742
Rural	910	33.2	1126	1.24	29,530	1,828
East Mts./Hills	204	26.4	256	1.26	25,357	1,272
West Mts./Hills	302	40.7	370	1.23	27,131	2,337
East Tarai	268	32.8	340	1.27	32,495	1,888
West Tarai	136	32.7	160	1.17	33,636	1,836
Consumption Quintile						
Poorest	144	27.6	179	1.24	13,906	590
Second	165	26.9	199	1.21	21,820	969
Third	221	30.5	265	1.21	24,225	1,445
Fourth	307	40.3	398	1.30	31,683	2,560
Richest	370	32.3	456	1.23	65,514	4,938
Nepal	1207	31.9	1497	1.24	34,698	2,100

Table 15.2: Distribution of number of remittances received by source

(Percent)

	Internal Source		External Source				Other	
	Urban Nepal	Rural Nepal	India	Malaysia	KSA Qatar UAE	Other Country	Donor Agency	Total
Development Region								
East	22.8	29.2	21.6	6.0	17.1	3.4	0.0	100
Central	34.7	28.6	23.9	1.7	6.1	3.7	1.3	100
West	16.8	19.9	42.4	3.6	11.1	6.2	0.0	100
Mid West	11.1	24.4	59.5	2.0	2.5	0.0	0.5	100
Far West	13.4	21.1	62.9	1.6	0.0	0.0	1.0	100
Ecological Zone								
Mountains	39.7	24.0	20.8	8.3	6.0	1.4	0.0	100
Hills	21.4	24.5	37.8	2.9	7.4	5.4	0.6	100
Tarai	21.4	26.6	34.8	3.0	11.7	2.1	0.5	100
Urban								
Kath. Valley	31.8	28.7	16.2	3.8	6.1	13.1	0.3	100
Kath. Valley	28.5	33.4	4.3	2.3	4.0	25.7	1.8	100
Other	32.5	27.6	18.9	4.1	6.5	10.3	0.0	100
Rural								
Rural	21.3	25.0	38.1	3.3	9.8	2.1	0.5	100
East Mts./Hills	38.0	31.4	11.9	4.6	9.4	3.3	1.3	100
West Mts./Hills	13.0	18.1	57.0	3.1	5.9	3.0	0.0	100
East Tarai	21.5	26.9	33.3	2.9	14.3	0.9	0.3	100
West Tarai	15.6	26.3	44.5	2.7	8.7	1.3	1.0	100
Consumption Quintile								
Poorest	19.3	24.8	50.7	2.2	2.6	0.3	0.0	100
Second	18.6	23.3	43.3	3.3	11.3	0.2	0.0	100
Third	22.4	18.7	44.3	2.8	9.4	1.2	1.3	100
Fourth	22.8	29.3	32.8	3.4	10.3	1.3	0.2	100
Richest	27.1	28.0	17.1	4.2	11.0	11.8	0.9	100
Nepal	22.7	25.5	35.2	3.3	9.3	3.5	0.5	100

Table 15.3: Number, size and share of remittances received by source

Source of Remittance	No. of remittances received	Mean amount of remittance received (Rs.)	Total amount of remittance received (Rs.)	Share of remittance amount received
Internal				
Urban Nepal	366	15,198	5,729,317,187	12.4
Rural Nepal	387	12,198	5,158,643,836	11.1
External				
India	480	18,414	10,758,001,362	23.2
Malaysia	52	80,830	4,457,737,567	9.6
KSA Qatar UAE	133	79,249	12,279,894,612	26.5
Other Country	72	134,971	7,942,793,581	17.1
Other				
Donor Agency	7	4,669	39,078,581	0.1
Nepal	1497	27,907	46,365,466,726	100

Table 15.4: Percentage share of remittances in income

	No. of HHs receiving remittances	Percent of HHs receiving remittances	Share of remittances on income
Development Region			
East	298	24.7	34.1
Central	358	29.7	36.3
West	307	25.4	43.3
Mid West	136	11.3	24.6
Far West	108	9.0	26.9
Ecological Zone			
Mountains	121	10.0	28.4
Hills	573	47.5	34.0
Tarai	513	42.5	37.9
Urban			
	297	24.6	39.1
Kath. Valley	59	4.9	42.5
Other	238	19.7	38.2
Rural			
	910	75.4	34.9
East Mts./Hills	204	16.9	27.2
West Mts./Hills	302	25.0	34.9
East Tarai	268	22.2	39.8
West Tarai	136	11.3	34.7
Consumption Quintile			
Poorest	145	12.0	32.7
Second	167	13.8	33.6
Third	213	17.7	33.7
Fourth	309	25.6	34.9
Richest	373	30.9	40.0
Nepal	1207	100	35.4

Table 15.5: Distribution of source of remittances by primary work activity of donor

(Percent)

Source of Remittance	Primary work activity of donor						Total
	Wage employee in agriculture	Self employee in agriculture	Wage employee in non-agriculture	Self employee in non-agriculture	Student	Other	
Internal							
Urban Nepal	0.1	4.0	69.1	19.6	0.4	6.9	100
Rural Nepal	8.6	30.4	42.5	12.8	0.3	5.4	100
External							
India	8.1	1.1	86.6	3.1	0.0	1.2	100
Malaysia	0.0	0.0	92.8	7.2	0.0	0.0	100
KSA Qatar UAE	5.2	0.0	91.0	3.8	0.0	0.0	100
Other Country	2.4	0.5	82.0	8.8	6.4	0.0	100
Nepal	5.6	9.1	71.8	9.7	0.4	3.4	100

Table 15.6: Distribution of primary work activity of donor by source of remittance

(Percent)

Source of Remittance	Primary work activity of donor						Nepal
	Wage employee in agriculture	Wage employee in non-agriculture	Self employee in agriculture	Self employee in non-agriculture	Student	Other	
Internal							
Urban Nepal	0.2	22.0	10.0	46.0	20.0	46.7	22.8
Rural Nepal	38.9	15.2	85.6	33.6	22.3	41.0	25.6
External							
India	50.8	42.6	4.2	11.1	0.0	12.3	35.3
Malaysia	0.0	4.3	0.0	2.5	0.0	0.0	3.3
KSA Qatar UAE	8.7	11.9	0.0	3.7	0.0	0.0	9.4
Other Country	1.5	4.1	0.2	3.2	57.7	0.0	3.6
Total	100	100	100	100	100	100	100

Table 15.7: Relationship of donor and recipient by gender

Relationship	Donor			Recipient		
	Total	Male	Female	Total	Male	Female
Husband/Wife	22.5	97.1	2.9	22.5	2.5	97.5
Son/Daughter	49.8	89.6	10.5	10.7	51.8	48.2
Grandchild	0.2	57.5	42.5	0.0	0.0	0.0
Father/Mother	10.7	81.8	18.2	49.8	72.4	27.6
Brother/Sister	9.2	88.8	11.3	9.2	58.3	41.7
Nephew/Niece	0.6	80.8	19.2	0.0	0.0	0.0
Son/Daughter-in-law	1.7	72.2	27.9	0.8	85.2	14.8
Brother/Sister-in-law	2.1	65.6	34.4	2.1	48.3	51.7
Father/Mother-in-law	0.8	100.0	0.0	1.7	20.1	79.9
Other relative	1.8	79.4	20.6	2.5	51.6	48.5
Tenant/Tenant's relative	0.0	100.0	0.0	0.0	0.0	0.0
Other person not related	0.7	65.3	34.7	0.7	83.1	16.9
Total	100	89.2	10.8	100	51.5	48.5

(Percent)

Table 15.8: Distribution of donors' age group by gender and origin of remittance

								(Percent)
Age Group of Donor	Internal Source		External Source				Nepal	
	Urban Nepal	Rural Nepal	India	Malaysia	KSA Qatar UAE	Other Country		
Male								
<15	2.8	4.8	2.2	0.0	0.0	0.0	2.5	
15-29	51.4	29.8	62.4	80.5	63.4	40.1	52.9	
30-44	36.8	38.3	27.3	19.6	34.4	48.0	32.9	
45-59	6.7	22.4	7.2	0.0	2.3	10.0	9.7	
60+	2.3	4.8	0.9	0.0	0.0	1.9	2.0	
Female								
<15	10.2	5.6	0.0	0.0	0.0	0.0	6.3	
15-29	41.0	34.7	62.2	0.0	10.4	42.6	37.7	
30-44	32.6	31.8	26.3	0.0	89.6	57.4	34.8	
45-59	11.6	22.3	11.5	0.0	0.0	0.0	16.7	
60+	4.7	5.5	0.0	0.0	0.0	0.0	4.5	
Total								
<15	3.8	5.0	2.2	0.0	0.0	0.0	2.9	
15-29	49.9	30.9	62.4	80.5	61.5	40.5	51.2	
30-44	36.2	36.7	27.3	19.6	36.3	49.4	33.1	
45-59	7.4	22.4	7.3	0.0	2.2	8.5	10.5	
60+	2.7	5.0	0.9	0.0	0.0	1.6	2.2	
Total	100	100	100	100	100	100	100	

Table 15.9: Distribution of number of remittances by means of transfer and origin of remittance

						(Percent)
Source of Remittance	Means of Transfer				Total	
	Financial Institution	Hundi	Person	Other		
Urban Nepal	0.3	0.5	74.3	24.9	100	
Rural Nepal	1.3	0.1	80.7	17.9	100	
India	0.8	0.0	92.0	7.3	100	
Malaysia	54.8	13.9	31.3	0.0	100	
KSA Qatar UAE	25.9	8.8	60.5	4.8	100	
Other Country	29.3	13.1	49.2	8.5	100	
Donor Agency	10.5	0.0	42.3	47.2	100	
Nepal	6.0	1.9	78.4	13.8	100	

CHAPTER XVI: HOUSEHOLD LOANS

The proportion of households borrowing some kind of loan has increased from 61 percent in 1995/96 to 69 percent in 2003/04. Average number of loans per household stayed constant at 1.6 in the same period. Of all loans, the percentage borrowed from banks has decreased from 16 to 15, and that from money lenders has decreased from 40 to 26, and from relatives increased from 41 to 55. By purpose of loans, the proportion for business or farm use and that for household consumption have decreased from 29 to 24 percent and from 49 to 47 percent respectively. Similarly, the proportion of loans with land/house collateral has decreased marginally across two rounds of NLSS.

Table 16.0: Summary Statistics

<i>Description</i>	<i>Nepal Living Standards Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Percentage of households borrowing loans</i>	<i>61.3</i>	<i>68.8</i>
<i>households having outstanding loans</i>	<i>58.4</i>	<i>66.7</i>
<i>Average number of all loans</i>	<i>1.6</i>	<i>1.6</i>
<i>of outstanding loans</i>	<i>1.5</i>	<i>1.6</i>
<i>Percentage of household loans from banks</i>	<i>16.1</i>	<i>15.1</i>
<i>household loans from money lenders</i>	<i>39.7</i>	<i>26.0</i>
<i>household loans from relatives</i>	<i>40.8</i>	<i>54.5</i>
<i>household loans for business or farm work</i>	<i>28.7</i>	<i>24.2</i>
<i>household loans for household consumption</i>	<i>49.4</i>	<i>46.5</i>
<i>household loans with land/house as collateral</i>	<i>16.8</i>	<i>14.1</i>
<i>household loans without collateral</i>	<i>74.7</i>	<i>75.1</i>

16.1 Introduction

Access to credit (borrowing or savings) allows households to smooth their consumption levels when incomes fluctuate. This chapter describes household loans in terms of incidence of borrowing, sources, duration, collaterals and purposes.

16.2 Household with Loans

Table 16.1 presents the incidence of households borrowing loans. Overall, 69 percent of households are involved in loan-taking while 67 percent have outstanding loans. The incidence of loan-taking is higher in rural areas and among households from lower consumption quintiles. For instance, 77 percent of households from the poorest quintile are involved in borrowing of loans while this figure is 53 percent for the richest quintile.

Average number of loans taken by households is 1.6 in the country. There is no obvious relationship between this measure with geographic and consumption groups.

16.3 Source of Loan

Table 16.2 summarizes the distribution of these loans by source. More than half of total household loans are taken from relatives/friends and neighbors, one-fourth from shop-keepers/money lenders and 15 percent from a bank. Banks account for a higher share of loan sources in urban areas than in rural areas (29 percent versus 14 percent). Similarly, banks' share of loans in the richest quintile is 27 percent and that in the poorest quintile is 8 percent. Contribution of relatives as a loan source is very similar across geographic and consumption groups, except in rural East Tarai where its contribution is 41 percent. But that of money-lenders is clearly skewed towards poorer households.

16.4 Years of Borrowing

Table 16.3 presents the distribution of household loans by year of borrowing. More than two-third of all loans are borrowed in the year 2003-2004, 22 percent during the period 2000-2002 and the remaining from earlier years. This pattern holds true across all geographic groups and consumption quintiles.

16.5 Purpose of loan

Table 16.4 shows the distribution of the household loan by purpose. The purposes of taking loans are categorized as: a) business and farm use and b) personal use.

Overall, 47 percent of total loans are borrowed for household consumption, 29 percent for other personal use¹ and 24 percent for business or farm use. The share for business use is higher in urban areas than in rural areas (37 percent versus 23 percent), while that for household consumption is higher in rural areas than in urban areas (48 percent versus 34 percent). Richer consumption quintiles borrow majority of their loans for farm/business use while poorer ones borrow mostly for consumption purpose. Also of interest is the higher proportion of more recent loans for consumption purpose, possibly reflecting a tendency of short-term borrowing to smooth consumption.

16.6 Collateral for Loan

Loans can be issued either with or without any collateral. 75 percent of all household loans in the country are borrowed without collateral and 25 percent with collateral. However, 72 percent of loans borrowed from banks are collateralized.

Distribution of collateral types in the country is land/house (14 percent), others (9 percent) and property (2 percent). 23 percent of loans borrowed by richer quintiles have land/house as collateral. On the other hand, 80 percent of loans borrowed by poorer quintiles tend to be not collateralized at all.

16.7 Average Amount of Loan

Table 16.6 summarizes the average amount of loan borrowed in the country. The average amount “per loan”² is Rs. 33,891, average “per household with positive amount” is Rs. 55,427 and “per capita” amount for all population is Rs. 7,225 in nominal terms. Disparities in these averages are very noticeable across geographic and consumption quintiles. For instance, per household loan amount in urban areas is Rs. 175,177 while that in rural areas is Rs. 40,547. Per capita loan amount averages about Rs. 1,600 for the poorest quintile and about Rs. 21,000 for the richest quintile.

¹ “Business or farm use” refers to purchase of inputs (such as fertilizers, seeds, insecticides etc.), equipments, land, livestock, building improvements for business and other business or farm use. “Household consumption” includes consumption needs such as food, fuel, personal goods, medicine and other non-durable goods. In addition, “other personal use” covers loans taken to purchase durable goods, purchase/improvement of dwelling, and marriage/family events/festivals and others.

² Average “amount per loan” is estimated by dividing total amount of loans by total number of loans, while “per household with positive amount” is derived by dividing total amount of loans by total number of borrower households and “per capita loan” amount is calculated by dividing total amount of loans by total number of people in the country.

Table 16.1: Incidence of household borrowing loans

	Total Households having Loans			Housholds having outstanding Loans		
	No. of hhs involved	Percent of hhs involved	Average no. of loans	No. of Household	Percent of hhs involved	Average no. of loans
Development Region						
East	661	76.1	1.6	643	73.7	1.5
Central	912	67.1	1.9	884	65.0	1.7
West	511	68.4	1.6	499	66.7	1.5
Mid West	278	62.1	1.3	268	59.9	1.2
Far West	176	63.5	1.5	174	62.5	1.5
Ecological Zone						
Mountains	267	69.4	1.9	265	68.9	1.9
Hills	1131	65.2	1.6	1111	64.1	1.6
Tarai	1140	72.1	1.6	1092	68.9	1.5
Urban	537	46.2	1.5	523	44.9	1.4
Kath. Valley	100	25.0	1.2	98	24.5	1.2
Other	437	57.8	1.5	425	56.1	1.4
Rural	2001	73.2	1.7	1945	71.0	1.6
East Mts./Hills	576	74.9	1.8	567	73.6	1.7
West Mts./Hills	517	69.1	1.5	510	68.1	1.5
East Tarai	646	79.6	1.7	619	76.3	1.6
West Tarai	262	64.2	1.4	249	61.0	1.3
Consumption Quintile						
Poorest	405	76.6	1.4	397	75.1	1.4
Second	452	75.0	1.6	442	73.3	1.5
Third	556	75.2	1.7	541	72.9	1.6
Fourth	543	70.2	1.8	521	67.4	1.7
Richest	582	52.5	1.6	567	50.9	1.5
Nepal	2,538	68.8	1.6	2468	66.7	1.6

Table 16.2: Distribution of household loans borrowed by source

	Bank	Relatives	Money Lenders	NGO/Relief Agency	Others	Total
Development Region						
East	16.5	58.1	19.9	2.5	2.9	100
Central	14.3	45.3	36.3	2.0	2.2	100
West	13.9	64.8	18.1	1.9	1.3	100
Mid West	17.0	55.3	24.1	2.2	1.4	100
Far West	15.0	64.2	13.9	5.1	1.9	100
Ecological Zone						
Mountains	6.8	69.2	20.1	1.8	2.1	100
Hills	12.2	63.5	20.8	2.3	1.2	100
Tarai	19.0	44.2	31.5	2.4	2.9	100
Urban						
	28.7	47.5	19.5	2.7	1.6	100
Kath. Valley	30.0	59.2	7.6	2.8	0.4	100
Other	28.5	45.3	21.7	2.7	1.8	100
Rural						
	13.6	55.3	26.7	2.3	2.2	100
East Mts./Hills	11.1	63.8	21.6	2.1	1.5	100
West Mts./Hills	7.9	68.4	20.4	2.1	1.2	100
East Tarai	15.9	40.8	37.8	2.1	3.4	100
West Tarai	23.0	54.7	16.8	3.7	1.8	100
Consumption Quintile						
Poorest	8.3	53.5	35.2	1.8	1.3	100
Second	10.4	56.7	30.4	1.1	1.4	100
Third	11.9	53.3	28.6	2.9	3.3	100
Fourth	17.6	54.5	22.6	2.8	2.6	100
Richest	26.8	54.9	14.2	2.7	1.5	100
Years of Borrowed						
2059 - 60	12.1	54.3	28.5	2.9	2.4	100
2056 - 58	21.0	55.6	21.0	1.0	1.3	100
2052 - 55	24.5	51.6	21.1	1.6	1.2	100
Before 2052	22.9	59.0	13.7	0.0	4.4	100
Nepal	15.1	54.5	26.0	2.3	2.1	100

Table 16.3: Distribution of household loans by year of borrowing

	2059 - 60 (2003-04)	2056 - 58 (2000-02)	2052 - 55 (1996-99)	Before 2052 1996)	Total
Development Region					
East	71.2	20.9	5.4	2.6	100
Central	68.2	21.8	7.5	2.4	100
West	70.1	19.9	6.4	3.7	100
Mid West	68.4	26.6	3.2	1.8	100
Far West	65.6	27.2	3.7	3.5	100
Ecological Zone					
Mountains	66.1	21.7	7.8	4.4	100
Hills	67.3	21.2	7.3	4.3	100
Tarai	71.5	22.5	4.9	1.1	100
Urban	64.1	25.9	7.0	3.0	100
Kath. Valley	61.2	21.4	9.4	8.1	100
Other	64.7	26.7	6.6	2.1	100
Rural	69.8	21.5	6.1	2.7	100
East Mts./Hills	66.7	21.4	7.8	4.1	100
West Mts./Hills	67.4	21.1	6.9	4.7	100
East Tarai	73.2	20.5	5.4	0.9	100
West Tarai	71.1	25.2	2.5	1.1	100
Consumption Quintile					
Poorest	71.6	20.6	5.0	2.9	100
Second	70.0	20.1	7.2	2.7	100
Third	69.5	22.7	5.7	2.0	100
Fourth	68.8	22.5	5.2	3.5	100
Richest	66.5	23.1	7.9	2.5	100
Nepal	69.2	21.9	6.2	2.7	100

Table 16.4: Distribution of household loans borrowed by purpose

	Business/Farm use	Personal use		Total
		Household consumption	Other personal use	
Development Region				
East	24.2	50.2	25.6	100
Central	25.0	37.7	37.3	100
West	20.5	60.0	19.6	100
Mid West	27.9	50.1	22.0	100
Far West	26.5	38.0	35.5	100
Ecological Zone				
Mountains	22.2	50.3	27.5	100
Hills	23.9	50.6	25.5	100
Tarai	24.8	42.3	32.9	100
Urban	37.0	34.4	28.6	100
Kathmandu Valley	34.6	29.9	35.6	100
Other urban	37.4	35.2	27.4	100
Rural	22.8	47.9	29.4	100
East Mts./Hills	25.4	45.0	29.6	100
West Mts./Hills	19.1	60.9	20.0	100
East Tarai	21.4	43.1	35.5	100
West Tarai	28.1	44.5	27.4	100
Consumption Quintile				
Poorest	15.1	57.8	27.2	100
Second	21.7	51.8	26.6	100
Third	22.1	49.0	28.9	100
Fourth	27.8	41.1	31.1	100
Richest	33.0	34.8	32.2	100
Years of Borrowed				
2059 - 60	21.8	51.4	26.8	100
2056 - 58	27.1	37.3	35.6	100
2052 - 55	35.0	32.9	32.1	100
Before 2052	38.2	26.4	35.4	100
Nepal	24.2	46.5	29.3	100

Table 16.5: Distribution of household loans borrowed by collateral

	No Collateral	Land & Housing	Property	Others	Total
Development Region					
East	71.8	16.0	5.4	6.8	100
Central	79.9	12.7	1.6	5.9	100
West	72.3	12.4	0.3	15.0	100
Mid West	73.8	14.5	0.7	11.1	100
Far West	69.1	19.6	0.7	10.6	100
Ecological Zone					
Mountains	84.8	11.1	1.2	3.0	100
Hills	78.1	11.1	1.5	9.4	100
Tarai	70.8	17.1	3.0	9.1	100
Urban/Rural					
Urban	68.8	22.3	3.3	5.7	100
Rural	75.8	13.2	2.1	9.0	100
Consumption Quintile					
Poorest	80.3	8.1	3.4	8.2	100
Second	77.9	10.8	2.0	9.3	100
Third	76.1	12.0	2.0	10.0	100
Fourth	71.3	16.1	2.4	10.2	100
Richest	71.2	22.6	1.4	4.8	100
Sources of Loan					
Bank	28.3	66.5	1.7	3.5	100
Relative	86.9	4.7	1.7	6.7	100
Money Lenders	76.6	4.0	3.6	15.8	100
NGO/Relief Agency	84.6	7.7	0.0	7.8	100
Others	74.8	12.2	4.6	8.4	100
Nepal	75.1	14.1	2.2	8.7	100

Table 16.6: Average amount of loan borrowed

(Nominal NRs.)

	Per loan	Per household with positive amount	Per capita
Development Region			
East	35,740	56,494	8,185
Central	35,014	64,789	8,004
West	35,088	55,348	7,881
Mid West	25,978	33,361	3,827
Far West	25,167	37,274	4,129
Ecological Zone			
Mountains	14,421	27,637	3,789
Hills	33,897	54,477	7,234
Tarai	37,357	60,431	7,698
Urban			
	119,368	175,177	16,787
Kath. Valley	205,583	243,059	12,537
Other	103,617	159,073	19,140
Rural			
	24,480	40,547	5,533
East Mts./Hills	21,315	38,994	5,551
West Mts./Hills	22,569	34,472	5,037
East Tarai	26,520	45,671	6,441
West Tarai	29,396	41,082	4,409
Consumption Quintile			
Poorest	9,247	13,379	1,573
Second	13,727	22,110	2,737
Third	16,725	29,063	4,274
Fourth	26,755	47,108	6,637
Richest	108,414	170,747	20,910
Nepal	33,891	55,427	7,225

CHAPTER XVII: ADEQUACY OF CONSUMPTION

Self-reported welfare has improved across all types of consumption over the last eight years. If we assign households reporting "less than adequate" consumption as self-reported "poor", such subjective poverty has decreased substantively from 1995/96 to 2003/04. In this period, inadequacy in food consumption has declined by 21 percentage points, housing by 23, clothing by 22, health care by 31, and schooling by 24 percentage points. Inadequacy in total income, however, shows a slight decline from a already very high rate in NLSS I.

Table 17.0: Summary statistics

(Percent)

<i>Description</i>	<i>Nepal Living Standards Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Percent of households reporting less than adequate:</i>		
<i>Food consumption</i>	<i>50.9</i>	<i>31.2</i>
<i>Housing</i>	<i>64.1</i>	<i>40.6</i>
<i>Clothing</i>	<i>57.6</i>	<i>35.6</i>
<i>Health care</i>	<i>58.7</i>	<i>28.3</i>
<i>Schooling</i>	<i>45.4</i>	<i>21.4</i>
<i>Total Income</i>	<i>72.6</i>	<i>67.0</i>

17.1 Introduction

Adequacy of consumption and income is largely based on the subjective judgment of the respondents. Households are asked to report the degree of adequacy of food, housing, clothing, health care, children's schooling and total income of the family. Such a degree is grouped into three: 'less than adequate', 'just adequate' and 'more than adequate'. Those households who do not consume these items are given "not applicable" responses.

17.2 Food

Overall, 31 percent of Nepalese households report that their food consumption is "less than adequate", while 67 percent say it is "just adequate" and the remaining 2 percent answer "more than adequate" (Table 17.1).

Food inadequacy (less than adequate) is the highest in the East region (47 percent) and the lowest in the Central region (22 percent). It is much higher in rural areas than in urban areas (34 percent versus 17 percent). As expected, such inadequacy decreases sharply with levels of total household consumption: it is 11 percent for the richest quintile and 62 percent for the poorest quintile.

17.3 Housing

Table 17.2 summarizes the degree of housing consumption adequacy. 41 percent of households in the country have less than adequate housing facility and 59 percent just adequate.

Among development regions, the Mid-west has the highest housing inadequacy (53 percent), surprisingly the Far-west (33 percent) has the lowest. Rural households report higher incidence of housing inadequacy than their urban counterparts (44 percent versus 22 percent). Once again, actual consumption level is strongly negatively correlated with self-reported housing poverty. It is 61 percent in the poorest quintile relative to 20 percent in the richest quintile.

17.4 Clothing

Clothing (in)adequacy is shown in table 17.3. In Nepal, 36 percent of households report to have inadequate clothing for their family members while 64 percent report as just adequate.

Less than adequate clothing is reported by 45 percent of households from the East region and just 27 percent from the Central region. Such inadequacy incidence in rural areas is almost three times that in urban areas. The poorest quintile has 65 percent incidence while the richest quintile a mere 12 percent.

17.5 Health care

Overall, the percentage of households reporting health care as less than adequate is 28 in the country. 71 percent report that it is just adequate (Table 17.4).

The highest incidence of inadequacy is reported in the Mid-west (41 percent). Urban-rural and rich-poor gaps are similar to those seen in other consumptions described above.

17.6 Schooling

21 percent of households in the country report that schooling for their children is less than adequate, 56 percent report to be just adequate, 1 percent more than adequate and 21 percent as “not applicable” (if they don’t have school-age children).

Subjective poverty in schooling consumption is much more pronounced in rural areas compared to urban areas (23 percent versus 12 percent). Variation across consumption quintiles ranges from 11 percent in the topmost quintile and 30 percent in the bottom quintile (Table 17.5).

17.7 Income

About two-thirds of households indicate that their income is less than adequate and 32 percent say just adequate (Table 17.6). Incidence of income inadequacy is much higher than any of the consumption items, implying the tendency of respondents to be less content with their income (opportunity) than with their consumption (outcome).

Income inadequacy is the highest in the Mid-west region (76 percent) and the lowest in the Central region (55 percent). Urban-rural gap is of 20 percentage points. Despite a substantial disparity across consumption quintiles, it is interesting to note that almost 50 percent of those households in the richest consumption quintile say that their income is less than adequate.

Table 17.1: Distribution of food consumption by degree of adequacy

	Less than adequate	Just adequate	More than adequate	(Percent) Total
Development Region				
East	46.8	50.4	2.8	100
Central	22.0	75.4	2.6	100
West	27.3	71.5	1.2	100
Mid West	36.2	62.0	1.7	100
Far West	26.0	73.8	0.2	100
Ecological Zone				
Mountains	35.3	62.9	1.8	100
Hills	28.2	70.4	1.4	100
Tarai	33.5	63.7	2.8	100
Urban				
	17.3	81.1	1.6	100
Kathmandu Valley	6.8	92.5	0.8	100
Other	23.0	74.9	2.1	100
Rural				
	34.0	63.9	2.2	100
East Mts./Hills	31.7	66.1	2.2	100
West Mts./Hills	35.0	64.2	0.8	100
East Tarai	39.6	56.8	3.6	100
West Tarai	24.5	74.0	1.5	100
Consumption Quintile				
Poorest	61.5	37.7	0.8	100
Second	40.3	58.5	1.3	100
Third	34.0	64.6	1.4	100
Fourth	20.9	76.7	2.5	100
Richest	11.4	84.9	3.7	100
Nepal	31.2	66.7	2.1	100

Table 17.2: Distribution of housing consumption by degree of adequacy

	(Percent)				
	Less than adequate	Just adequate	More than adequate	Not applicable	Total
Development Region					
East	49.5	49.8	0.6	0.1	100
Central	35.5	64.1	0.4	0.0	100
West	34.4	64.5	1.1	0.0	100
Mid West	52.9	46.6	0.5	0.0	100
Far West	32.9	65.5	1.7	0.0	100
Ecological Zone					
Mountains	51.3	48.2	0.5	0.0	100
Hills	38.6	60.5	0.9	0.0	100
Tarai	40.9	58.5	0.6	0.0	100
Urban					
	21.6	77.8	0.6	0.1	100
Kathmandu Valley	13.0	86.2	0.8	0.0	100
Other	26.3	73.2	0.4	0.2	100
Rural					
	44.4	54.9	0.7	0.0	100
East Mts./Hills	43.7	56.1	0.2	0.0	100
West Mts./Hills	47.9	50.7	1.4	0.0	100
East Tarai	47.9	51.4	0.7	0.0	100
West Tarai	32.8	66.7	0.5	0.0	100
Consumption Quintile					
Poorest	61.2	38.4	0.4	0.0	100
Second	46.9	53.0	0.2	0.0	100
Third	48.2	50.9	0.9	0.0	100
Fourth	36.2	62.9	1.0	0.0	100
Richest	20.2	78.8	0.9	0.1	100
Nepal	40.6	58.6	0.7	0.0	100

Table 17.3: Distribution of clothing consumption by degree of adequacy

	Less than adequate	Just adequate	More than adequate	(Percent) Total
Development Region				
East	45.3	53.8	0.9	100
Central	27.3	72.1	0.6	100
West	31.2	67.9	0.9	100
Mid West	44.2	55.2	0.6	100
Far West	41.6	57.4	1.0	100
Ecological Zone				
Mountains	41.3	57.8	0.8	100
Hills	31.1	68.3	0.6	100
Tarai	38.9	60.2	0.9	100
Urban				
	14.6	84.6	0.9	100
Kathmandu Valley	6.4	93.0	0.6	100
Other	19.0	79.9	1.0	100
Rural				
	39.7	59.5	0.7	100
East Mts./Hills	36.9	62.8	0.3	100
West Mts./Hills	38.3	60.8	0.9	100
East Tarai	42.8	56.1	1.1	100
West Tarai	40.2	59.3	0.5	100
Consumption Quintile				
Poorest	64.5	35.3	0.2	100
Second	47.1	52.3	0.7	100
Third	41.1	58.6	0.3	100
Fourth	26.3	72.6	1.2	100
Richest	11.8	87.0	1.2	100
Nepal	35.6	63.7	0.8	100

Table 17.4: Distribution of healthcare consumption by degree of adequacy

	Less than adequate	Just adequate	More than adequate	Not applicable	(Percent) Total
Development Region					
East	37.7	61.7	0.6	0.0	100
Central	22.1	77.1	0.7	0.0	100
West	22.8	76.0	1.2	0.0	100
Mid West	40.6	58.1	1.3	0.0	100
Far West	22.2	76.7	0.8	0.3	100
Ecological Zone					
Mountains	41.2	57.9	0.5	0.3	100
Hills	26.8	72.0	1.1	0.0	100
Tarai	27.7	71.6	0.7	0.0	100
Urban					
	13.3	85.8	0.9	0.1	100
Kathmandu Valley	5.9	93.7	0.4	0.0	100
Other	17.4	81.4	1.1	0.1	100
Rural					
	31.3	67.8	0.9	0.0	100
East Mts./Hills	33.8	65.3	0.9	0.0	100
West Mts./Hills	32.8	65.7	1.4	0.1	100
East Tarai	31.5	68.1	0.5	0.0	100
West Tarai	24.5	74.9	0.7	0.0	100
Consumption Quintile					
Poorest	42.6	56.5	0.8	0.1	100
Second	35.5	63.1	1.3	0.0	100
Third	31.0	68.3	0.7	0.0	100
Fourth	24.5	75.0	0.5	0.1	100
Richest	14.9	84.1	1.0	0.0	100
Nepal	28.3	70.8	0.9	0.0	100

Table 17.5: Distribution of schooling consumption by degree of adequacy

	Less than adequate	Just adequate	More than adequate	Not applicable	(Percent) Total
Development Region					
East	23.1	50.7	1.1	25.2	100
Central	18.4	57.9	0.8	22.9	100
West	24.5	57.8	1.4	16.4	100
Mid West	23.4	54.8	1.0	20.9	100
Far West	18.2	66.5	0.0	15.4	100
Ecological Zone					
Mountains	34.1	39.0	0.9	26.1	100
Hills	21.5	56.8	0.5	21.1	100
Tarai	19.3	58.6	1.3	20.8	100
Urban					
	12.0	69.6	0.7	17.8	100
Kathmandu Valley	8.8	77.2	0.4	13.6	100
Other	13.7	65.4	0.8	20.1	100
Rural					
	23.3	53.7	1.0	22.0	100
RE Mt./Hill	24.9	48.4	0.4	26.3	100
RW Mt./Hill	27.7	51.4	0.7	20.3	100
RE Tarai	20.6	53.6	1.3	24.5	100
RW Tarai	18.9	66.2	1.7	13.2	100
Consumption Quintile					
Poorest	29.5	43.9	1.7	24.9	100
Second	26.6	51.7	1.8	19.9	100
Third	23.6	52.8	0.4	23.2	100
Fourth	20.5	57.9	0.5	21.2	100
Richest	11.3	69.4	0.8	18.5	100
Nepal	21.4	56.3	0.9	21.33	100

Table 17.6: Distribution of total income by degree of adequacy

	(Percent)				
	Less than adequate	Just adequate	More than adequate	Not applicable	Total
Development Region					
East	73.9	24.7	1.4	0.0	100
Central	55.1	44.0	0.8	0.1	100
West	72.2	26.6	1.2	0.0	100
Mid West	76.0	23.4	0.6	0.0	100
Far West	71.9	27.4	0.4	0.3	100
Ecological Zone					
Mountains	71.7	27.5	0.5	0.3	100
Hills	66.3	32.6	1.1	0.0	100
Tarai	66.9	32.1	1.0	0.1	100
Urban					
	50.1	48.4	1.5	0.0	100
Kathmandu Valley	39.3	59.0	1.8	0.0	100
Other	56.1	42.6	1.4	0.0	100
Rural					
	70.3	28.8	0.9	0.1	100
RE Mt./Hill	66.2	32.7	1.1	0.0	100
RW Mt./Hill	77.9	21.5	0.6	0.1	100
RE Tarai	67.0	32.1	0.8	0.1	100
RW Tarai	71.2	27.7	1.1	0.0	100
Consumption Quintile					
Poorest	82.7	16.2	0.7	0.4	100
Second	74.7	24.3	1.0	0.0	100
Third	72.5	27.0	0.4	0.0	100
Fourth	63.5	36.1	0.4	0.0	100
Richest	49.4	48.4	2.1	0.0	100
Nepal	67.0	32.0	1.0	0.1	100

CHAPTER XVIII: GOVERNMENT FACILITY

NLSS II asks households to rate government facility they use as “good”, “fair” and “bad”. Majority of user households perceive government facilities as "fair". The proportion of households reporting “fair” on health facility is 61 percent, on education 71, on drinking water 52 and on telephone is 57 percent. “Good” ratings range from 25 percent on drinking water to 13 percent on roads. However, there is more variation in “bad” ratings: 15 percent on education and post office each and 44 percent on roads.

Table 18.0: Summary Statistics

(Percent)

Category	NLSS 2003/04		
	Good	Fair	Bad
Perception on health facility	13.9	61.2	22.0
education facility	14.4	71.1	14.5
drinking water	24.9	52.4	22.7
electricity	24.1	58.0	18.0
road facility	13.2	42.4	44.4
post office facility	14.0	70.7	15.3
telephone facility	14.9	57.1	28.0

18.1 Introduction

For the first time in NLSS II, households using government facilities (such as education, health, electricity, drinking water, road, telephone and post offices) are asked to rate them as "good" or "fair" or "bad". The ratings presented in this chapter are based on valid responses (among user households).

18.2 Health

Overall, only 14 percent of households who use government health facility rate the facility as "good", 64 percent report "fair" and 22 percent deem it is "bad". If "bad" captures "poor" status of such a facility, government health facility is poor for more than one-fifth of all relevant households in the country (Table 18.1). Such a facility is particularly noticeable in the Mid-west where as much as 35 percent of households report it to be "bad".

18.3 Education

Government-run education facility is perceived to be "fair" to 71 percent of user households. "Bad" rating is given by 15 percent of these households. Interestingly, 24 percent of households in Kathmandu urban area deem the facility to be bad while the comparable proportion in rural areas is 15 percent (Table 18.2). Moreover, this does not seem to vary by household's per capita consumption level: proportions reporting government education facility to be in poor condition is about equal in all five quintiles.

18.4 Drinking water

At the national level, 25 percent of households say drinking water facility is "good", while 52 percent report "fair" and the remaining 23 percent say "bad". 37 percent of households in the Mid-west and the Far-west perceive this facility to be in poor status, these figures for other development regions are smaller. Kathmandu valley among urban areas and the West Mts/Hills among rural areas, in particular, have more than one-third of their households dissatisfied with drinking water supplied by the government. Once again, disparity in "bad" perceptions across consumption quintiles is minimal (Table 18.3).

18.5 Electricity

The proportions of user households reporting government supplied electricity facility as "good", "fair" and "bad" are 24, 58 and 18 percents respectively in the country. 31 percent of urban households perceive it to be "good" compared to only 20 percent among their rural counterparts. On the other hand, incidence of "bad" rating is 23 percent in rural areas and only 8 percent in urban areas. Among

rural areas, it ranges from 19 percent in the East Mts/Hills to 26 percent in the East Tarai. Poorer households are more likely to deem it to be inadequate than richer households (41 percent in the first quintile versus 11 percent in the fifth quintile, as seen in Table 18.4).

18.6 Road

Road facility is the most inadequate facility as perceived by households in the country: 44 percent report it to be “bad”, 42 percent “fair” and 13 percent “good”. Almost half of rural households say it is in poor status, whereas the comparable number in urban areas is 20 percent. Among rural areas, more than 60 percent of households in the Mountains and Hills find it inadequate. Incidence of such self-reported inadequacy is higher among households from poorer quintiles than richer quintiles (Table 18.5).

18.7 Post office

Among the user households, 14 percent rate the post office facility as "good", 71 percent rate "fair" respectively, and 15 percent "bad". Inadequacy, as measured by “bad” ratings, is around 25 percent in rural Mountains/Hills. Tarai rural areas and urban areas in the country seem to be fairly satisfied with this government provided facility, as seen from low incidence of “bad” ratings (Table 18.6).

18.8 Telephone

28 percent of user households say that government provided telephone facility is “bad”. Not surprisingly, this proportion is much higher in rural areas compared to urban areas (34 percent versus 5 percent). In particular, 57 percent of households in the rural West Mts/Hills provide “bad” rating. Incidence of poor ratings vary across consumption quintiles but there no clear relationship with the level of household consumption (Table 18.7).

Table 18.1: Distribution of self reported adequacy of government health facilities

	(Percent of valid responses)			
	Good	Fair	Bad	Total
Development Region				
East	14.6	66.4	19.0	100
Central	17.5	63.4	19.2	100
West	10.7	64.4	24.9	100
Mid West	9.3	56.3	34.5	100
Far West	10.5	72.9	16.6	100
Ecological Zone				
Mountains	19.2	55.1	25.7	100
Hills	15.5	62.2	22.2	100
Tarai	11.5	67.4	21.1	100
Urban				
	16.9	66.2	17.0	100
Kathmandu Valley	17.5	70.2	12.4	100
Other	16.5	64.2	19.3	100
Rural				
	13.3	63.8	22.9	100
East Mts./Hills	23.4	58.5	18.1	100
West Mts./Hills	8.6	60.7	30.7	100
East Tarai	11.1	67.6	21.3	100
West Tarai	9.7	69.2	21.2	100
Consumption Quintile				
Poorest	10.8	67.4	21.8	100
Second	11.7	65.4	22.9	100
Third	13.6	63.2	23.2	100
Fourth	15.9	63.7	20.4	100
Richest	16.1	62.3	21.6	100
Nepal	13.9	64.2	22.0	100

Table 18.2: Distribution of self reported adequacy of government education facilities

	(Percent of valid responses)			
	Good	Fair	Bad	Total
Development Region				
East	13.8	74.1	12.1	100
Central	18.7	65.1	16.2	100
West	11.6	76.4	12.0	100
Mid West	9.9	68.6	21.6	100
Far West	14.1	75.2	10.8	100
Ecological Zone				
Mountains	20.7	58.1	21.3	100
Hills	16.9	69.2	13.9	100
Tarai	11.3	74.7	14.0	100
Urban				
	15.0	70.6	14.4	100
Kathmandu Valley	14.4	61.3	24.3	100
Other	15.2	73.5	11.3	100
Rural				
	14.3	71.2	14.5	100
East Mts./Hills	25.4	61.9	12.7	100
West Mts./Hills	10.9	72.8	16.3	100
East Tarai	10.1	73.8	16.2	100
West Tarai	11.9	76.9	11.3	100
Consumption Quintile				
Poorest	12.1	71.9	16.0	100
Second	12.6	72.8	14.6	100
Third	14.9	71.0	14.1	100
Fourth	14.0	72.5	13.4	100
Richest	17.6	67.6	14.8	100
Nepal	14.4	71.1	14.5	100

Table 18.3: Distribution of self reported adequacy of government drinking water facilities

	(Percent of valid responses)			
	Good	Fair	Bad	Total
Development Region				
East	27.8	58.6	13.6	100
Central	28.0	51.7	20.3	100
West	20.5	53.6	26.0	100
Mid West	18.1	45.2	36.7	100
Far West	26.1	37.4	36.5	100
Ecological Zone				
Mountains	36.6	43.4	20.0	100
Hills	23.5	47.1	29.5	100
Tarai	24.2	61.1	14.7	100
Urban				
	22.2	51.0	26.8	100
Kathmandu Valley	16.1	46.2	37.7	100
Other	26.1	54.0	19.8	100
Rural				
	25.6	52.7	21.7	100
East Mts./Hills	34.9	45.4	19.8	100
West Mts./Hills	20.5	45.9	33.7	100
East Tarai	24.6	65.7	9.7	100
West Tarai	19.4	56.3	24.4	100
Consumption Quintile				
Poorest	19.2	59.6	21.2	100
Second	26.5	53.5	20.0	100
Third	22.9	53.7	23.4	100
Fourth	29.0	48.5	22.5	100
Richest	25.6	49.3	25.1	100
Nepal	24.9	52.4	22.7	100

Table 18.4: Distribution of self reported adequacy of government electricity facilities

	(Percent of valid responses)			
	Good	Fair	Bad	Total
Development Region				
East	19.9	53.3	26.8	100
Central	31.5	56.7	11.8	100
West	15.8	66.0	18.2	100
Mid West	22.2	52.8	25.1	100
Far West	19.4	55.8	24.8	100
Ecological Zone				
Mountains	52.8	26.7	20.5	100
Hills	27.6	57.0	15.4	100
Tarai	18.6	61.0	20.5	100
Urban				
	31.0	61.3	7.7	100
Kathmandu Valley	37.7	58.0	4.3	100
Other	26.7	63.4	9.9	100
Rural				
	20.4	56.2	23.4	100
East Mts./Hills	40.3	40.7	19.0	100
West Mts./Hills	12.0	62.7	25.3	100
East Tarai	14.7	58.9	26.3	100
West Tarai	15.6	63.4	21.1	100
Consumption Quintile				
Poorest	10.6	48.6	40.8	100
Second	12.7	65.5	21.8	100
Third	20.5	53.8	25.8	100
Fourth	25.1	55.8	19.1	100
Richest	29.1	60.4	10.5	100
Nepal	24.1	58.0	18.0	100

Table 18.5: Distribution of self reported adequacy of government road facilities

	(Percent of valid responses)			
	Good	Fair	Bad	Total
Development Region				
East	12.2	43.4	44.4	100
Central	13.0	45.3	41.7	100
West	17.6	38.5	43.9	100
Mid West	12.5	36.3	51.2	100
Far West	6.1	44.2	49.7	100
Ecological Zone				
Mountains	8.6	26.7	64.7	100
Hills	12.0	34.2	53.7	100
Tarai	14.9	51.8	33.3	100
Urban				
	24.9	55.1	20.0	100
Kathmandu Valley	16.6	58.5	25.0	100
Other	29.5	53.3	17.2	100
Rural				
	10.8	39.7	49.5	100
East Mts./Hills	11.5	26.7	61.8	100
West Mts./Hills	7.0	28.1	65.0	100
East Tarai	9.4	52.4	38.2	100
West Tarai	18.0	50.1	31.9	100
Consumption Quintile				
Poorest	7.2	42.1	50.8	100
Second	8.0	40.9	51.1	100
Third	10.7	40.7	48.6	100
Fourth	14.0	40.8	45.2	100
Richest	22.1	46.3	31.6	100
Nepal	13.2	42.4	44.4	100

Table 18.6: Distribution of self reported adequacy of government post office facilities

(Percent of valid responses)

	Good	Fair	Bad	Total
Development Region				
East	14.0	74.3	11.7	100
Central	12.9	73.8	13.4	100
West	15.6	71.2	13.2	100
Mid West	18.7	55.5	25.8	100
Far West	6.5	68.7	24.7	100
Ecological Zone				
Mountains	13.3	61.3	25.4	100
Hills	13.4	65.1	21.5	100
Tarai	14.7	77.2	8.0	100
Urban	21.3	72.1	6.6	100
Kathmandu Valley	15.7	75.3	9.0	100
Other	22.8	71.3	6.0	100
Rural	12.8	70.5	16.7	100
East Mts./Hills	13.9	62.5	23.6	100
West Mts./Hills	11.5	63.3	25.2	100
East Tarai	11.1	81.9	6.9	100
West Tarai	16.7	71.2	12.1	100
Consumption Quintile				
Poorest	7.8	74.4	17.9	100
Second	10.5	73.1	16.4	100
Third	11.6	71.9	16.5	100
Fourth	17.5	66.3	16.2	100
Richest	19.6	69.5	10.9	100
Nepal	14.0	70.7	15.3	100

Table 18.7: Distribution of self reported adequacy of government telephone facilities

	(Percent of valid responses)			
	Good	Fair	Bad	Total
Development Region				
East	19.8	58.2	22.1	100
Central	16.3	62.7	21.1	100
West	10.7	55.9	33.4	100
Mid West	8.1	43.5	48.4	100
Far West	12.5	49.3	38.2	100
Ecological Zone				
Mountains	6.8	31.0	62.2	100
Hills	14.0	48.6	37.4	100
Tarai	16.7	67.6	15.7	100
Urban				
Urban	33.5	61.9	4.7	100
Kathmandu Valley	42.6	56.0	1.4	100
Other	28.7	64.9	6.4	100
Rural				
Rural	10.3	55.9	33.8	100
East Mts./Hills	10.7	44.1	45.3	100
West Mts./Hills	3.9	38.7	57.4	100
East Tarai	13.4	71.4	15.3	100
West Tarai	12.3	64.1	23.6	100
Consumption Quintile				
Poorest	8.8	62.5	28.7	100
Second	9.5	58.9	31.5	100
Third	9.4	56.2	34.5	100
Fourth	14.3	56.4	29.3	100
Richest	24.7	54.7	20.6	100
Nepal	14.9	57.1	28.0	100

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ANNEX I: DISSEMINATION OF NLSS DATA TO USERS

All potential users of the NLSS data set will be required to adhere to the following conditions:

1. NLSS data is given to all users subject to the provision that (i) they duly acknowledge that the data used has been provided to them by the Central Bureau of Statistics (CBS), and that (ii) CBS be provided with one copy of all publications in which NLSS data is used.
2. They provide an undertaking that they will not pass copies of the data received to other individuals or organizations without first obtaining written permission from CBS allowing them to do so.
3. A fee will be charged to all users for NLSS I and NLSS II data set (with supporting documents). In the interests of encouraging as many users as possible to use the NLSS data, this fee will be charged at a differential rate to users according to the following criteria.

Fees:

NLSS I Data Set	
1. Students in Nepal	NRs. 2,000
2. Other Nepalese Individuals	NRs. 3,000
3. HMG Departments, Agencies, NGOs, etc.	NRs. 6,000
4. Other Users (INGOs, International Agencies, Individuals abroad, etc.)	US\$ 200
NLSS II Data Set	
1. Students in Nepal	NRs. 2,000
2. Other Nepalese Individuals	NRs. 3,000
3. HMG Departments, Agencies, NGOs, etc.	NRs. 6,000
4. Other Users (INGOs, International Agencies, Individuals abroad, etc.)	US\$ 200
Both NLSS I and NLSS II Data Set	
1. Students in Nepal	NRs. 3,000
2. Other Nepalese Individuals	NRs. 4,000
3. HMG Departments, Agencies, NGOs, etc.	NRs. 8,000
4. Other Users (INGOs, International Agencies, Individuals abroad, etc.)	US\$ 250