

Poverty

A. Very short questions: (For 1 mark)

i. Define poverty.

⇒ Poverty is defined as the inability of the people to attain a minimum standard of living. It means their incomes are insufficient to meet their basic needs, such as food, clothing and shelter.

ii. State the types of poverty.

⇒ The types of poverty are: Absolute Poverty and Relative Poverty. Absolute poverty is a situation where an individual is unable to fulfill a minimum standard of living. Relative poverty is defined in comparison to other people's standard of living in the economy.

iii. Distinguish between absolute poverty and relative poverty.

⇒ The differences between absolute poverty and relative poverty are:

Absolute Poverty	Relative Poverty.
1. It is a situation where people is unable to fulfill a minimum standard of living.	1. It is the poverty of people relative to other people, regions or nations.
2. Income level is low in absolute poverty.	2. Income level may be high in relative poverty.

B. Short questions: For 5 marks

- i. Describe the various causes of poverty in Nepal.
⇒ Poverty is defined as the inability of the people to attain a minimum standard of living. It means their incomes are insufficient to meet their basic needs, such as food, clothing and shelter.

The problem of poverty in Nepal remains serious for the following reasons:

- a) Unemployment and underemployment: Poverty is caused by unemployment and under-employment. In Nepal, around 2% of the active population is openly unemployed and 30% are under-employed.
- b) Subsistence agriculture: The majority of Nepalese farmers undertake farming for subsistence purpose. Their productivity is very low due to inadequate irrigation facilities and modern technology. That is why they remain poor.
- c) Low rural development: The majority of Nepalese people live in rural areas with little rural infrastructure development. In these areas, there are no job or income opportunities, which is a major cause of poverty in Nepal.
- d) Underutilization of natural resources: Due to lack of capital and skills, many natural resources in Nepal remain unutilized or underutilized. This is one of the causes of poverty in Nepal.

e) Slow industrialization: The pace of industrialization in Nepal is very slow. Employment opportunities in the industrial sector are low as large-scale industries have not been established. Therefore, a person remains unemployed and under-employed resulting in a low level of income. Underemployment is the root cause of poverty.

f) Ineffective plan implementation: Poverty alleviation has always been a top priority in Nepal's development planning. However, the implementation of some of the Government's poverty reduction programs have been suffered from lack of coordination among the various line ~~materials~~ ministries.

ii. Discuss upon the various ~~consequence~~ consequences of high poverty.

⇒ As poverty is the inability of the people to fulfill their basic needs, poverty has been the root cause of many problems in Nepal and many other countries. Some of the consequences of poverty are explained below:

a) Poor Health: Globally, millions suffer from poverty-related health conditions as infectious diseases range the lives of an estimated 14 million people a year and are the top effects of poverty. These diseases are contracted through sources like contaminated water, the absence of water and sanitation, and lack of access to proper healthcare.

- b) Increase in crime: There's an old age adage that says, "If a man don't work, he don't eat." That's not the case for a large number of people living in poverty. Lack of economic opportunity leads to impoverishment which then leads to crime. People who live below the poverty line and don't have access to sufficient economic opportunity, live by an dangerous means necessary.
- c) Lack of education: Poverty and lack of education is a big challenge being faced by the world, the problem is low-income families don't put their childrens in schools. Even if they want to there are no proper schools available. Government schools donot provide ~~ex~~ quality education. Students from low-income families are more likely to leave school without graduating.
- d) Increase in child labour: Child ~~effect~~ labour is also one of the major consequences of poverty. Poor parents are forced to send their children to work instead of school. The children are sent to earn ~~ineted~~ instead to learn.
- e) Increase in migration: People who are unable to fulfill their basic needs migrates to another place for the search of employment to earn money. Poverty ~~has~~ also increases the brain drain.

Q. No. 111.

How high rate of poverty of Nepal can be minimized? Explain your opinion.

It is very important to reduce poverty of Nepal as the people living below poverty level are facing a lot of problems like: lack of education, health issues etc. Some of the measures to reduce poverty in Nepal are as follows:

- a) Creation of employment opportunities: Unemployment and underemployment are the main causes of poverty in Nepal. Therefore, creation of employment opportunities is the most effective way of eliminating poverty. As more employment opportunities are created, more poor people will have an opportunity to earn their living and can uplift their socioeconomic activities conditions.
- b) Modernization in agriculture: Nepal is an agricultural country. About 65% of population are engaged in agriculture occupation. Thus, modernization in agriculture is required for the reduction of poverty in Nepal. Modernization in agriculture will increase productivity.
- c) Development of rural infrastructure: Infrastructure development can also increase economic opportunities and productivity of the rural poor. Efficient transportation and communication, irrigation, technological advancement and commercialization facilities can increase agricultural productivity. This increases employment opportunities and reduces poverty.

- d) Optimum utilization of natural resources: The utilization of natural resources is another important measure to reduce poverty. Nepal is rich in natural resources. Therefore, existing poverty can be reduced by making the optimum use of the country's natural resources.
- e) Rapid Industrialization: Industries are the main sources of income and employment. Many people can get employment opportunities if the industries are established. Thus, the number of poor decreases with the increase in number of industries.
- f) Effective Plan Implementation: Poverty alleviation has always been a top priority in development planning in Nepal. However, there is problem in effective implementation. Therefore, the plans and policies should be effectively managed.

Inequality

A. Very short questions: For 1 mark

- i. Define economic inequality.
- ⇒ Economic inequality is the unequal distribution of income and opportunity between different groups in society. It is the disparities in income and wealth among individuals in a society.

B. Short questions: for 5 marks.

1. Describe the various causes of inequality in Nepal.
2. The situation in which there is unequal distribution of income and other economic resources among the people of a nation is called inequality. The main causes of economic inequality are economic and sociological. Economic system based on capitalism generates unequal economic rewards and gives rise to inequality.

Some causes of inequality in Nepal are:

- a) Difference in education, training: The level of education and experience differs person to person. Those individuals, who are educated, have more experiences get high paid job than uneducated and inexperienced person. If the individuals get better opportunity, they earn more than those who do not get opportunity.
- b) Difference in wages: Some workers receive very high wages for their work and this creates income inequality. Risky, dangerous and intellectual workers are paid more than manual workers.
- c) Work-leisure preference: Some people work longer hours than others, or labour more intensely when they are on job. This results in certain differences in income.

d) Risk-taking nature: Risk-taking nature of the entrepreneurs also creates inequality. Whoever bears risk and succeeds becomes rich. Those who try and fail become poorer. Most of the others prefer not to take the risk and find themselves somewhere in between. In this way too, income differences arise voluntarily.

e) Difference in profit: Inequalities of income are perpetuated by differences in profits. Profits vary from business to business and enter entrepreneur to entrepreneur. They are highly dependent upon the amount of capital invested in the business and the nature of the business.

Besides, there are also more causes like inequalities of income from property, lack of effective implementation of public policy, difference in regional growth etc.

11. How high rate of poverty and high rate of inequality of Nepal can be minimized? Explain with your opinion.

⇒ Economic Inequality is the gap between rich and poor. It is also described as unequal distribution of income and wealth. High rate of inequality is main cause for increasing poverty, crime rates, poor public health etc. So, the inequality rate should be minimized.

Economic Inequality can be minimized in Nepal by the following measures:

- a) Land reforms: Land is the most important source of income in the rural areas. Unequal distribution of land ownership is the major cause of rural inequality. Redistribution of land can help to reduce economic inequalities.

- b) The tax and benefits system: The governments can promote equity and reduce inequality and poverty, through the tax and benefits system. This means taking proportionately more tax from high income group, and redistributing it to low income groups and promote equality.

- c) Expansion of the public sector: An expansion of the public sector is one of the most important ways to reduce economic inequalities. It prevents concentration of economic power and wealth in the hands of a few. It is expected that the public sector would promote an equitable distribution of income.

- d) Development of small-scale industries: Small-scale industries can be established and developed in different parts of the country. It helps to create employment opportunities for the poor people and raise their income. This will reduce income inequality.

- e) Creation of employment opportunities: An important cause of inequalities of income both in urban and rural areas is the lack of employment opportunities. Creating employment opportunities, particularly for the poor people, is an important tool of reducing inequalities.

Unemployment

A. Very short questions: For 1 mark

i. Define unemployment.

⇒ Unemployment is the situation of being without a job. It refers to that situation where the people are able to and willing to work at the existing wage rate, but due to many reasons they do not get any work. Old, sick, students, children etc. are not included under the category of unemployment.

ii. State the concept of voluntary unemployment with example.

⇒ When the person is not willing to work at the prevailing wage rate or does not desire to work, then such employment is called voluntary unemployment. For example: A worker declining the job of ₹ 15,000 per month for no willing to work.

iii. Clarify the concept of non-voluntary employment with examples.

⇒ Non-voluntary employment is a situation in which the worker is able and willing to work at the prevailing wage rate but does not get work. For example: A good teacher is unable to get the job at ₹ 15,000 per month.

B. Short answer questions: For 5 marks

1. ⇒ Explain various types of unemployment.
Unemployment is the situation of being without a job. Unemployment situation in a country refers to that situation in which there are large number of persons able and willing to work at the existing wage rate, but due to many reasons they do not get any work.

There are two types of unemployment:

1) Voluntary Unemployment
When the person is not willing to work at the prevailing wage rate or does not desire to work, then such unemployment is called voluntary unemployment. While estimating unemployment, voluntary employment is not taken into consideration.

2) Involuntary Unemployment
It is a situation in which the worker is able and willing to work at the prevailing wage rate but does not get work. It is also called Open unemployment. By unemployment we mean involuntary unemployment. Involuntary unemployment can further be divided into the following types:

a) Frictional unemployment: Frictional unemployment is a situation where workers are in search of new jobs or are transmitting from one job to another. Since this type of unemployment is short-term in nature, it is also called temporary unemployment. This type of unemployment exists even when there is full employment in the economy.

b) Structural unemployment: Unemployment due to the structural changes in the economy is called structural unemployment. There are decline in some kinds of industries and emergence of new industries. While there are vacancies and job-seekers in structural unemployment, there is a mismatch between the demand and supply pattern of the labour market.

c) Cyclical unemployment: Cyclical unemployment is the unemployment caused by the business cycle or trade cycle. During a recession when the economy slows down during a recession, it will reduce the overall demand and consumption, which will cause production cuts in various industries. As a result, there is a decrease in the demand for labour and an increase in unemployment.

d) Seasonal unemployment: Unemployment caused due to changes in seasons is known as seasonal unemployment. One example of seasonal unemployment is the unemployment of ice cream vendors during the winter season.

e) Disguised unemployment: Disguised unemployment is a situation where a person seems to be employed but is not. It is unemployed unemployment that does not affect aggregate output. For instance, if an agricultural land requires only three people to work on it and rather, five people are working on it, then the two extra workers are disguised unemployment.

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Describe the various causes of unemployment in Nepal. The people without a job is unemployment. There are many causes of unemployment described below:

- 1) High population growth rate: High population growth rate increases labor supply. But increasing employment opportunities is not an easy task. If there is no increase in employment opportunities in line with the increase in labour supply, the problem of unemployment will increase.
- 2) Decrease in aggregate demand: During the period of recession, aggregate demand decreases. The recession phase is characterised by a fall in aggregate demand, price, interest rate, output etc. In the period of recession, the firms try to cut down their costs by laying off workers. This causes higher levels of unemployment.
- 3) Slow industrialization industrial development: Industrial industrialization leads to urbanization and thus enhances the scope of employment in the economy. A country where the industrialization process is slow has the larger percentage of the unemployed population as compared to those where it is fairly fast.
- 4) Underutilization of natural resources: In the countries like Nepal, natural resources are not properly utilized. Hence, employment opportunities cannot be increased and the result is unemployment.

- 5) Immobility of workers: It is a form of unemployment that occurs because of the immobility of workers. For example, Kathmandu city may have a variety of job market with vacancies, but an unemployed man from Karnali may be unable to take a job in Kathmandu due to difficulties in moving to Kathmandu.
- 6) Structural changes: In structural unemployment there are vacancies and there are job-seekers and yet there is unemployment because of a mismatch between the demand and supply pattern of the labour market.

Furthermore, technological ~~wage~~ ^{also} change and minimum wage laws are the causes of unemployment in Nepal.

11. What are the major consequences of unemployment? Explain.

⇒ Unemployment can bring a number of serious problems in the country like Nepal. Some of the consequences of unemployment are explained below:

- 1) Reduction in potential output: Actual output will be lower due to unemployment. There would not be best utilization of other resources due to less number of available working labour. Actual output will be lower than potential GDP.
- 2) Reduction in tax revenue: The number of tax payers decreases as a result of unemployment. It reduces the tax revenue of the government.

- 3) Higher rate of physical and mental illness: Unemployed people would be unable for timely health check-up which bring a number of physical illness and death. Likewise, it is one of the causes of mental illness such as depression and even higher rate of divorce in some countries.
- 4) Increase in crime: Unemployment divides society into two segments: haves and have-nots. Unemployed people become poorer and poorer in comparison to rich. It creates crimes for survival.
- 5) Increase in brain drain: The financial status of the individual becomes weak due to unemployment. So, people visit abroad for the search of job. ~~Many~~ In current situation, many people visit abroad for the search of employment.

iv. How high rate of unemployment can be minimized in Nepal? Explain with your opinions.

⇒ Unemployment is a major life event. It has a devastating impact on people's lives. It not only affects the unemployed person, It affects the whole nation as well. So, unemployment should be minimized in ~~A~~ country like Nepal.

Some of the measures to minimize unemployment are:

↓) Development of industrial sector: Unemployment is caused by slow industrial development. Industrial development has the potential to create more employment opportunities. Rapid industrialization is possible through

huge capital investment, liberal industrial and investment policy, proper security of investment and investors etc.

- 2) Development of agriculture sector: Agriculture provides a living for the vast majority of Nepalese people. But our farmers are producing limited crops by using low quality seeds and traditional technology. There is need of diversity in agriculture and use of improved seeds and modern technology. Farmers should be encouraged to commercialize their farming practices.
- 3) Development of infrastructures: Inadequate availability of infrastructures is an obstacle to generate employment opportunities. Government should develop infrastructure so that rural areas can be linked to main market. This will encourage investors to invest more in their business. It will lead to an increase in employment.
- 4) Development of cottage and small-scale industries: Cottage and small-scale industries can operate with small amount of capital even in rural areas. These industries help to utilize the locally available raw materials properly. The development of cottage and small-scale industries can generate employment opportunities. Even today, these industries have large share in the industrial development employment in Nepal.

- 5) Use of labour intensive technology: technique: The use of ~~capital-investment~~ intensive technique in production is a cause of unemployment as it replaces large number of workers and hence, they become unemployed. The government should encourage the producers of firms to use labour-intensive technology in production of goods and services. This will help to expand employment opportunities.

Moreover, increase in pace of economic growth, credit facilities to ~~par~~ farmers can be provided and educational system of the country should be reformed in order to generate more employment opportunities and unemployment can be reduced.