

The Hidden Map of Hardship: Six Surprising Truths About Poverty in Nepal

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What would you do if you woke up to the news that the average temperature for the entire country would be a pleasant 20 degrees Celsius? Sounds nice for everyone in the entire country, right? Wrong! If you were in the midst of a raging blizzard in the Himalayas or in the midst of the humidity in the Terai plains, the average temperature would be little comfort to you. The average is like a big blanket that covers the true nature of the situation. It is like saying that the situation is “average,” but it does not tell the farmer in the village or the mayor of the municipality what is really going on in the area they are in.

As per Nepal Living Standards Survey (NLSS) IV, the average percentage of poverty in Nepal is 20.27% (Nepal Statistics Office (2024a)). What does that mean? It means that one out of every five persons in Nepal is in poverty. What does it not mean? It does not mean that the person in the remote village in Jajarkot is in the same situation as the person in the slums in the middle of Kathmandu.

In January 2026, the National Statistics Office (NSO) released its landmark report: “Small Area Estimation of Poverty 2023.” This is no ordinary report with ordinary data; it is a “revolutionary high-resolution lens” for Nepal. The “deep and personal” data of the Nepal Living Standards Survey (NLSS IV), combined with the “encompassing and broad” data of the Nepal Population and Housing Census (NPHC) 2021, has resulted in “a new kind of map” that goes beyond the broad provincial borders to “look directly at the 753 municipalities where life actually happens.” This is the first time since the transition to federalism that we have a clear picture of the new administrative map of Nepal.

I will discuss the top six findings revealed by this new data, challenge our old assumptions, and give us a new “GPS” for the fight against hardship and poverty in Nepal.

Takeaway 1: The “Kathmandu Paradox” - Low Rates, High Volume

Perhaps the most counter-intuitive statistic in this entire report is the “Kathmandu Paradox.” If we simply look at the poverty rate in the Kathmandu Metropolitan City, we would think that the capital is a hotbed of wealth. In fact, the poverty rate is approximately 6.9%, which is one of the lowest poverty rates in the country and far below the national average.

Of course, if we actually look at the raw numbers of people who make up that statistic, a different story is told. Kathmandu is the most populous city in the country with a total population of 862,400 people. This “low” poverty rate of 6.9% actually means that there are 59,218 people living below the poverty line. In fact, Kathmandu Metropolitan City has the highest total number of poor people in a single municipality in the entire country.

This phenomenon is called “hidden poverty” by journalists. Poverty in a rural village is visible and ubiquitous; everybody is in the same boat. Poverty in the capital is “diluted” due to the enormous concentration of wealth, high-rise buildings, modern homes, and luxury cars. This phenomenon of “hidden poverty” makes the poor invisible. The street vendor or a daily wage laborer in Kathmandu may just be a few blocks away from a luxury shopping mall, yet he is struggling to meet the new annual poverty line of NPR 72,908.

This phenomenon is a warning bell for urban

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planners. Social services in the capital cannot be reduced just because the “average” person is doing well. Poverty in the capital is a crisis of volume. The density of population in the capital is just too great; even a low percentage of poor citizens translates into a massive investment in social services. The cost of living in the capital is such that if a person or a family is considered poor, it is a constant fight for survival in an environment where everything has a price tag.

Takeaway 2: The North-West Divide—Where Poverty Hits 78%

While the capital is grappling with the sheer numbers of the poor, the north-western provinces of Karnali and Sudurpaschim are in the midst of a poverty crisis in terms of intensity. The data points to the geographical divide that encapsulates the “Two Nepals” phenomenon. Eight out of the ten poorest municipalities in the country are in these two provinces.

The most extreme example cited in the report is the Junichande Rural Municipality in the Jajarkot district in the Karnali Province. Here, the poverty rate is as high as 77.9%. In the rural municipality of Junichande, to be poor is not just to be unfortunate; it is to be the reality for nearly eight out of every ten persons.

The connection between the geography and the poverty in the region is evident. The Karnali Province is described as “a land of extremes,” with “19% of the total land area of Nepal but only 6% of the total population.” The problem in the region is that the cost of “connectivity” is extremely high in the region. When it takes days to simply reach the road or the hospital, the markets cannot solve the poverty problem.

The top 5 most impoverished municipalities in Nepal, according to the data from the year 2023, are:

- i. Junichande Rural Municipality (Jajarkot, Karnali) – 77.9%
- ii. Soru Rural Municipality (Mugu, Karnali) – 72.4%
- iii. Dhakari Rural Municipality (Achham, Sudurpaschim) – 70.6%
- iv. Sigas Rural Municipality (Baitadi, Sudurpaschim) – 66.9%
- v. Kamalbazar Urban Municipality (Achham, Sudurpaschim) – 66.8%

For people living in such places, it is often true that “geography is destiny.” This lack of road infrastructure means that people cannot get their products to market or their children to a college education. These statistics represent a “cycle of hardship” in which the very land that people live on prevents them from rising out of poverty. It is going to take more than a small grant to break this cycle; it is going to take a massive effort to “connect” these “disconnected” communities to the national economy.

Takeaway 3: Rural vs. Urban—The Gap is Wider Than It Looks

The 2023 report confirms that poverty is substantially worse in rural municipalities (24.7%) than it is in urban municipalities (18.3%). However, the “Small Area Estimation” provides more detailed information that shows just how misleading this difference can be.

Nepal is a country in which the label “Urban Municipality” (Nagarpalika) is more a function of politics than aesthetics. During the restructuring process to become a “Federal” country, many rural villages were grouped together to meet the “legal” requirements for a “City.” This has meant that a person can be living in a “City” but have no running water, electricity, or even a paved road.

The report uses a complex methodology called “Degree of Urbanization” (DEGURBA) to define this difference. For example, in Koshi Province, nine out of ten “poorest” municipalities have “Urban” in their official titles. What about a municipality like Katari or Khandbari? On the map, they’re “Cities.” In fact, they have many “Rural Wards” that are just like the most remote “Rural Wards” in the mountains.

This is the crucial point for policymakers to understand: do not get caught up in the name on



the gate. A poverty alleviation program designed to help “Rural Municipalities” will completely miss the opportunity to assist tens of thousands of extremely poor individuals living within the boundaries of the “Urban” label. Poverty alleviation needs to be about the reality of the poor household, not the name on the office building they visit.

Takeaway 4: The Madhesh Puzzle - A Concentration of the Crowd

Madhesh Province is the intriguing puzzle for the development expert. In terms of geography, it should be the wealthiest province in the nation. Unlike the north, where the mountainous terrain makes development difficult, Madhesh is composed entirely of the flat plains of the Terai. It has the best road infrastructure, the richest agricultural land, and borders India, making it the logical center of commerce.

Yet, in spite of these advantages, the poverty rate in Madhesh is 22.5%, which is higher than the national average. More importantly, it has the highest percentage of the nation’s total poor. Approximately 25.1% of the total poor in Nepal, one in every four poor persons in the country, lives in Madhesh Province.

This is what we call the “density problem.” Though the poverty rate in Madhesh is not as alarming as in Jajarkot, where the poverty rate is as high as 78%, the large population in the Terai region means that any small percentage increase in the poverty rate affects millions of people. The report points to the large urban centers like Kalaiya and Birgunj as being critical areas that need immediate attention. These areas have huge populations of poor people living just below the poverty line.

Madhesh is the place where the government can address the biggest “volume” of poverty in the country. The flat terrain makes it easier to implement irrigation systems, provide industrial jobs, and improve the education sector to bring the

poverty rate down faster than in the hilly regions. However, if Madhesh is not addressed, the weight of its poor population could bring the progress of the entire country to a grinding halt in its bid to reach the middle-income status.

Takeaway 5: The Upgrade in “Statistical Vision”—Why We Can Trust This Data

You might wonder: “How can researchers know the poverty status of a tiny remote village they’ve never visited?” Well, the answer is that there was an upgrade in the “statistical vision” in Nepal.

Nepal used a method called “ELL” in the past. However, for the 2023 report, the NSO used a more precise model called the “Empirical Best (EB) predictor¹.” To understand the difference, let’s consider two puzzles:

- The Census puzzle is huge. It includes all the households in the country. It tells us if they have a tin roof or a radio. However, it does not tell us how much money they spend on food.
- The NLSS-IV Survey puzzle is a detailed interview with only 9,600 households. It asks very deep questions about the money spent on everything.

Imagine that the Census puzzle is “blurry” because it does not give us the details about the wealth of the people. On the other hand, the NLSS-IV Survey puzzle is “sharp” because it has very detailed information. However, it only has information about 9,600 households. The “EB” method combines the two puzzles. It combines the detailed information in the NLSS-IV Survey puzzle with the Census puzzle.

To ensure that the figures were not skewed by “outliers” such as an extremely rich family in a poor village, “Box-Cox” and “zero-skewness” transformations were employed. This is like “cleaning the lens” of a camera. It’s a set of mathematical formulas that “straightens out” the figures to ensure they’re representative of the “average” experience in a village.

¹ For more details about EB see Molina and Rao (2010). They showed that EB methods are considerably superior and yield substantially less noisy estimates.

And finally, the “poverty line” has been long overdue for a reality check. It has been raised to NPR 72,908 annually—an increase of 70% in the standards. This is a nod to “modern aspirations.” It’s a recognition that “surviving” in 2011 is no longer acceptable in 2026. It’s a sterner set of standards that ensures we’re not deluding ourselves with false figures.

Takeaway 6: Provincial Snapshots - Localized Pockets of Success and Struggle

This report allows us to look past the provincial averages to see that even the “richest” provinces have pockets of poverty.

Koshi Province - The Great Divide

In the east, the case of Koshi Province is typical of the contrast between the mountainous region and the plains. Although the province is not poor on average, the municipal data indicates that there is a wide gap between municipalities. In the mountainous north, the poor hill municipalities such as Halesi Tuwachung face the challenge of a 50 percent poverty rate. This is because the municipalities are not only poor but are also physically isolated. In the plains, the challenge in the province is one of volume. Biratnagar Metropolitan City, which is the industrial center of the province, has a low poverty rate. However, the city also has the highest volume of poor people at 31,000. Mechinagar and Katari are not far behind, each having 22,000 poor residents. In the case of the province, the challenge is twofold: the high poverty rate in the mountainous region and the volume of poor residents in the plains.

Gandaki Province: The Hidden Hardship in the Wealthiest Region

Gandaki Province is officially considered the wealthiest province in Nepal, with the lowest overall poverty rate of 11.9%. It is the province that contains Pokhara, considered the tourism capital of Nepal. The new map, however, has now unveiled a “hidden pocket” that is ignored in the overall provincial figures. This “hidden pocket” is Madhya Bindu Urban Municipality. It is considered a “rich” province, yet Madhya Bindu has a whopping 43% poverty rate—almost four

times that of its provincial average. This is a crucial lesson that must be learned by the government of Nepal. One cannot afford to turn a blind eye towards a region just because of its location in a “successful” province. There are “islands of struggle” even in a sea of relative wealth that require attention and aid.

Lumbini Province: The Epicenter of the Poor

The province of Lumbini is considered the “volume” capital of Nepal’s poverty crisis. It has an average of 24.4% of its population living in poverty; however, this province contains the second-largest number of poor individuals in Nepal. The top ten municipalities with the highest number of poor individuals are almost all located in the Terai plains of Lumbini Province. Nepalganj Sub-metropolitan City has 49,000 poor individuals in its region, while another region in Dang, namely Ghorahi, has 48,000 poor individuals in its area. The situation is even more alarming in other areas of this province, such as Kapilbastu, where municipalities such as Krishnanagar have a high percentage of 64.2% and a massive number of 45,000 poor individuals. This is where the “crowd” of poor individuals is most visible, and massive investments in social services are required in this province.

Conclusion: Moving From Maps to Action

Nepal has achieved remarkable success in reducing poverty in last three decades. Poverty headcount was 41.76 % in 1995-96 which came down to 20.27% in 2022-23. Reducing poverty from high headcount to a lower number was challenging but eliminating poverty completely will require a skillful targeting and planning. After the release of the “Small Area Estimation of Poverty 2023,” we know the exact coordinates of the areas where poverty resides. Therefore, with the release of this new “map,” the question for Nepal is no longer “Where is the poverty located?” We know where it is. The question for us now is: “Now that we know the coordinates of where the poverty resides, will we be able to make sure that the resources get to the specific individuals and communities that the national averages have been ignoring for so long?”



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