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**The Role of Nepali Carpet Manufacturing Industries
in Alleviating Rural Poverty:
A Case Study of Rural Women Workers**

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ABSTRACT

In 1996 Nepal had a per capita gross national product of \$US200, the fourth lowest in the world. Nepalese rural women, like those in many developing countries, are even poorer than men. Further, their contribution towards household activities remain unrecognised and unmeasured. It is because of poverty that rural women have started to move from subsistence farming to the formal sector in order to better meet their economic needs. Regardless of how much labour women put into the agricultural sector, it has yielded very little cash income. The Nepali carpet manufacturing industry has provided employment for rural women. It is also a significant user of New Zealand crossbred wools. Wages earned by rural women through the carpet industry contribute to the alleviation of rural poverty by increasing the total annual income of the households in which they reside.

The purpose of this study was to determine the socio-economic impact of the carpet manufacturing industries on the well-being of rural women workers. In addition, the benefits of, and limitations to, rural women workers becoming involved in the carpet industries were assessed.

Four levels of respondents were interviewed for the study: 5 key informants, 5 focus-groups (n=10) of rural women workers, 36 carpet manufacturers, and 144 rural women workers. The survey data were evaluated relative to a conceptual model developed to explain total annual household income, a proxy variable for rural poverty alleviation. The model included non-economic (social and demographic) and economic characteristics of households.

Variables included in a multiple regression (reduced) model collectively explained 50% of the variation in total annual household income. Among all the non-economic and economic characteristics outlined in the conceptual framework, the number of working adults per household was most important in influencing household income. One person increased total annual household income by Rs 15,228 per annum and a 5% increase in total annual income was associated with additional savings by Rs 67.08 per month. It was concluded that the Nepali carpet industries have assisted in alleviating rural poverty amongst rural women through income generation. New Zealand wool exports to Nepal therefore appear to have an indirect positive benefit on rural households by enabling carpet industry expansion.

Keywords: Nepal, carpet industries, rural women workers, total annual household income, and rural poverty alleviation.

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CHAPTER 1

Introduction

Nepal's population, estimated to be 21 million in 1994, is growing at a rate of 2.5 percent per annum (World Development Report, 1996). Nepal ranks as one of the poorest countries in the world with a per capita gross national product (GNP) of US \$200 and an average life expectancy of 54 years (World Development Report, 1996). Except for a few elite groups of people, and perhaps some large-scale farmers, everyone in Nepal is poor (UNICEF, 1992). Recent government estimates put the proportion of the national population living in absolute poverty at 40 percent (World Bank, 1990). Approximately, 90 per cent of Nepali people live in rural areas, however, net cultivated land accounts for only 20 percent of the total land area: there remains very limited scope for expansion (Asian Development Bank, 1994a).

Many of the poor are engaged in subsistence farming. In this labour intensive subsistence environment, women spend much more time than men on food production activities and as a result, the work burden of adult women exceeds that of adult men by about 25 percent (World Bank, 1990). People in Nepal work very hard for the little income that they make; 70 percent of production is estimated to be at a subsistence level and does not go through the cash economy (UNICEF, 1992).

Limited off-farm employment opportunities and a high population growth rate of 2.5 per cent (Central Bureau of Statistics, 1993) have increased the economic burden on the agricultural sector. There has been little change in agricultural productivity over many years, and the long-term decline in the average size of rural land holdings in Nepal continues to intensify this. Thus, the present level of rural dependence on a subsistence agriculture that has stagnant low productivity is not sustainable.

Statistics shows that 80% of poor peasants, including women, spend their time in subsistence farming (Central Bureau of Statistics, 1994). Many rural people work on larger farms at or below minimum wages. Furthermore, rural employment opportunities have continued to deteriorate over time due to increased pressure on scarce agricultural land. Also, structural adjustments in the economy have favoured economic

development of the urban industrial sector, and this has been to the detriment of the rural agricultural sector. As a result, rural men have preferred to migrate to urban areas in search of better job opportunities, leaving their wives and children behind to struggle with farming and the associated daily necessities for living (Buvinic and Lycette, 1988). Women continue to contribute their time, energy and efforts to maintain their farming operations, but their contribution remains unmeasured and unidentified at the national level (PAI, 1996a).

The development of a rural economy requires adequate mobilization of its human resources. Human resources refer to the skill, knowledge and capabilities of the people in increasing the production of goods and services. Economic development therefore requires proper planning and utilization of human resources. The thrust of development in Nepal has been to eliminate poverty and to fulfill basic human needs. Since, women constitute almost half of the total labour force, proper mobilization of women is a must for attaining the development goals of Nepal. Therefore, rural women's entry into employment is essential to their becoming economically self-reliant and gaining the ability to alleviate poverty in the households in which they live.

1.1 Background and Problem Statement

In developing countries, poor men in almost all cases have even poorer wives and children. The problems that exist amongst women in developing countries often remain unheard and unnoticed, particularly in the rural economy. Where efforts are undertaken to mobilize women in development, they mostly impact on women's issues in urban areas and a few selected rural areas.

Women constitute about half of the world's population and a major part of the unrecognised labour force in the world. Agriculture has traditionally been a predominant source of employment, although the share of the non-agriculture sector in total employment has shown a substantial increase in Nepal (Acharya, 1995). In addition, Acharya (1995) mentions that the percentage of the economically active population in agriculture decreased from 94.4% in 1971 to 91.2% in 1981 and further to 81.2% in 1991. Over the same period the proportion of women employed in the

non-agricultural sector increased from 1.8% in 1971 to 8.9% cent in 1991 (Acharya, 1995). Thus, while agriculture is still the major source of employment for Nepali males and females, the share of employment in the non-agricultural sector is increasing. This shift in employment was associated with a tangible change in the industrial structure of Nepal in the 1980s (Acharya, 1995). This allowed more women to join the ranks of industrial workers despite their low level of skills and cultural inhibitions. In 1992 women accounted for 23% of the total labour force (CBS, 1995).

Home-based industries are either progressively dying due to competition from imported products or are being replaced by organised formal units. The displacement of traditional crafts by light industry is forcing female workers into contract-based labour in the specialised sectors, such as the carpet industry. The work force in the carpet and cotton-textile weaving industries, which is inspiringly dominated by women, reflects this change (Acharya, 1995).

While the role of non-agricultural sectors in Nepal as a source of employment is increasing at a faster rate for women than for men, the proportion of women in the agricultural labour force has also been increasing in real terms due to population growth. Overall, an increasing number of women are entering the work force in the formal manufacturing sector because their economic needs cannot be met by subsistence farming.

Efforts are thus required to engage rural women in the formal sector. Increased participation would allow household members and women in particular, to generate additional income for productive investment and consumption requirements; this in turn would alleviate poverty. It is for this reason that hand-knotted carpet manufacturing industries have been a major contributor to the employment of women in the formal sector and is therefore, by association, an important contributor to poverty alleviation.

1.1.1 Carpet Industry

Carpet manufacturing industries were first established in Nepal in the early 1960s and were operated initially with imported Tibetan wool and primarily located in Kathmandu (Shrestha, 1991). Presently, most of the wool required for carpet production is met through imports from New Zealand and Tibet (Shrestha, 1991). Nepal in turn exports quality carpets to European and North American markets.

General observations indicate that women contribute a high proportion of the total work force in the carpet manufacturing industries. Most of them come from rural areas and they have been able to repatriate part of their income to their families. Carpet manufacturing industries, through the utilization of New Zealand and locally produced wool, therefore have been able to provide rural women with some independence and economic stability. However, the magnitude of carpet-manufacturing industries' impact on the socio-economic well-being of rural women largely remains unknown. The purpose of this study was to measure the impacts of carpet manufacturing industries on the alleviation of poverty amongst rural women through employment generation.

1.2 Objectives of the Study

This study was conducted to assess the impacts of Nepali carpet manufacturing industries on poverty alleviation amongst rural women. It was hypothesised that employment provided by the carpet industry assists rural women to alleviate poverty through income generation. The study had three associated objectives:

- to identify the socio-economic impacts of carpet manufacturing industries on the well-being of rural women workers;
- to identify the benefits of, and limitations to, rural women becoming involved in carpet industries and;

- to formulate potential development strategies to encourage the active participation of women in the carpet manufacturing industries in order to improve their well-being and alleviate poverty.

1.3 Relevance of the Research

The findings from this study will provide valuable input to His Majesty's Government of Nepal, non-government organizations (NGOs) working on development issues, the Women's Development Division of the Ministry of Local Development, and the Central Carpet Industries Association. Wools of New Zealand will benefit from factual data on the economic well-being of rural women that has occurred due to the utilization of New Zealand wool. Such information will assist Wools of New Zealand in its marketing strategies in Nepal and other countries.

This study will also establish benchmark data for follow-up research by researchers based in Nepal and New Zealand. It will contribute to an improved understanding of the dynamic relationship between the Nepali carpet industries, New Zealand wool producers and exporters, and the socio-economic well-being of rural women workers.

1.4 Limitations of the Study

The study was undertaken entirely in the Kathmandu valley of Nepal and was limited to women who had migrated from rural areas to work in the carpet industries of Kathmandu, Bhaktapur and Lalitpur districts. The study therefore reflects the situation at one point in time. It does not reflect the impact of carpet industry relocation on carpet manufacturers and rural women. In addition, this study does not look in detail at the existing social and cultural (welfare) issues of women workers.

1.5 Thesis Outline

This chapter has provided a brief overview of Nepal, the Nepali economy and the situation for Nepali rural women. The study problem was then identified and the

objectives defined. A review of literature follows in the next chapter. The review includes relevant studies on women and development, participation of females in the labour force, women in agriculture, poverty, women and poverty, poverty alleviation and poverty measurement. The methodology implemented in the study is outlined in Chapter 3. This includes a description of the conceptual framework and the research design used, the study area, and an outline of the data collected. The results of the study are presented and discussed in Chapter 4. In the closing chapter, the results from the study are summarized and conclusions are drawn. Recommendations arising from the research and related areas requiring further research are also presented.