**LITERATURE REVIEW ON POVERTY :**

Poverty rates are highest in the most urban and most rural areas of the United States, and are higher in nonmetropolitan than metropolitan areas. Yet, perhaps because only one-fifth of the nation’s 35 million poor people live in nonmetropolitan areas, rural poverty has received less attention than urban poverty from both policymakers and researchers.

Virtually all the quantitative studies reviewed used the official census definition of poverty. According to the official definition, a family is considered poor if its annual before-tax money income (excluding noncash benefits, such as public housing, Medicaid, and food stamps) is less than its poverty threshold. Poverty thresholds vary according to family size, number of children in the family, and, for small households, whether the householder is elderly. The thresholds were developed in the 1960s by estimating the cost of a minimum adequate diet for families of different size and age structures multiplied by three to allow for other necessities. The poverty thresholds are adjusted annually for inflation using the Consumer Price Index for All Urban Consumers, but apart from minor adjustments have remained unchanged over the decades. Dissatisfaction with the current poverty measure is widespread, particularly with respect to its ability to represent economic distress in rural and urban areas. The most common critique in this regard is that the official poverty thresholds do not account for cost-of-living differences across space (e.g., region, metro/nonmetro county).4 It is expected that living costs are, on average, lower in rural versus urban locations, suggesting that current measures of rural-urban differences in poverty prevalence could be biased. Poverty analysts generally agree on the need to account for geographic cost-of-living differences, but data for such purpose are limited. Jolliffe (2004) uses a spatial price index based on fair market rents data to account for cost-of-housing differences across metro and nonmetro areas; he shows a complete reversal in the metro-nonmetro poverty rankings, the metropolitan poverty incidence being higher in every year from 1991 through 2002.

The recent Nepal Living Standard Survey (NLSS) 2010/11 shows that 25 percent of Nepali people are below the absolute poverty line. The official monetary poverty line in local prices is NRs 19,261 (Central Bureau of Statistics [CBS], 2011) per person per year. This is approximately 225 US dollars as of April 2013 transaction rate1 . It implies that a Nepali consuming approximately 0.6 dollar a day is considered as non-poor. This level is far less than that of the World Bank's 1.25 dollar a day measure, which the Bank terms as extreme poverty. There are intra-country disparities in poverty line and distribution. For example, the poverty line is lowest (approximately 184 dollars) for the western southern plain and highest for capital city Kathmandu (approximately 471 dollars). There are more issues. The interesting one is that the Kathmanduities spend more on non-food items, almost double to food items against the higher expenses in food items for other parts. The proportion of people living below poverty line is highest in the northern mountains while it is lowest for urban hill. The western part of the country hosts higher proportion of poor compared to eastern part. If we use human development concept to measure the poverty, the proportion of Nepali people living in poverty is around 31.1 percent in 2011 (National Planning Commission (NPC) [Government of Nepal] & United Nations Development Programme [UNDP], 2014). This is significant decline by more than 50 percent from as high as 65 percent three years ago (UNDP, 2011). However, there are vast differences in the measurement process and indicators in the both concepts. Nepal's official poverty measurement is basically based on consumption approach which mainly uses basic calorie threshold. It does not concern how the people maintain their basic living standard. It is also blind to whether there are public investments to enhance the capability so that they can sustain their fight against poverty. In common sense, Nepal's official poverty measurement practice deserves criticisms of money metric approach. Despite the phenomenal and milestone efforts to make development process more people centred and multidimensional, Nepal is still struggling around upper bound of low human development countries. Around one quarter of total population survive a miserable life under absolute poverty line, which is far less than the global $1.25 a day standard. This paper basically argues that the poverty in Nepal is a critical issue that is restricting people to enjoy the freedom and choices and is challenge for achieving sustainable human development.