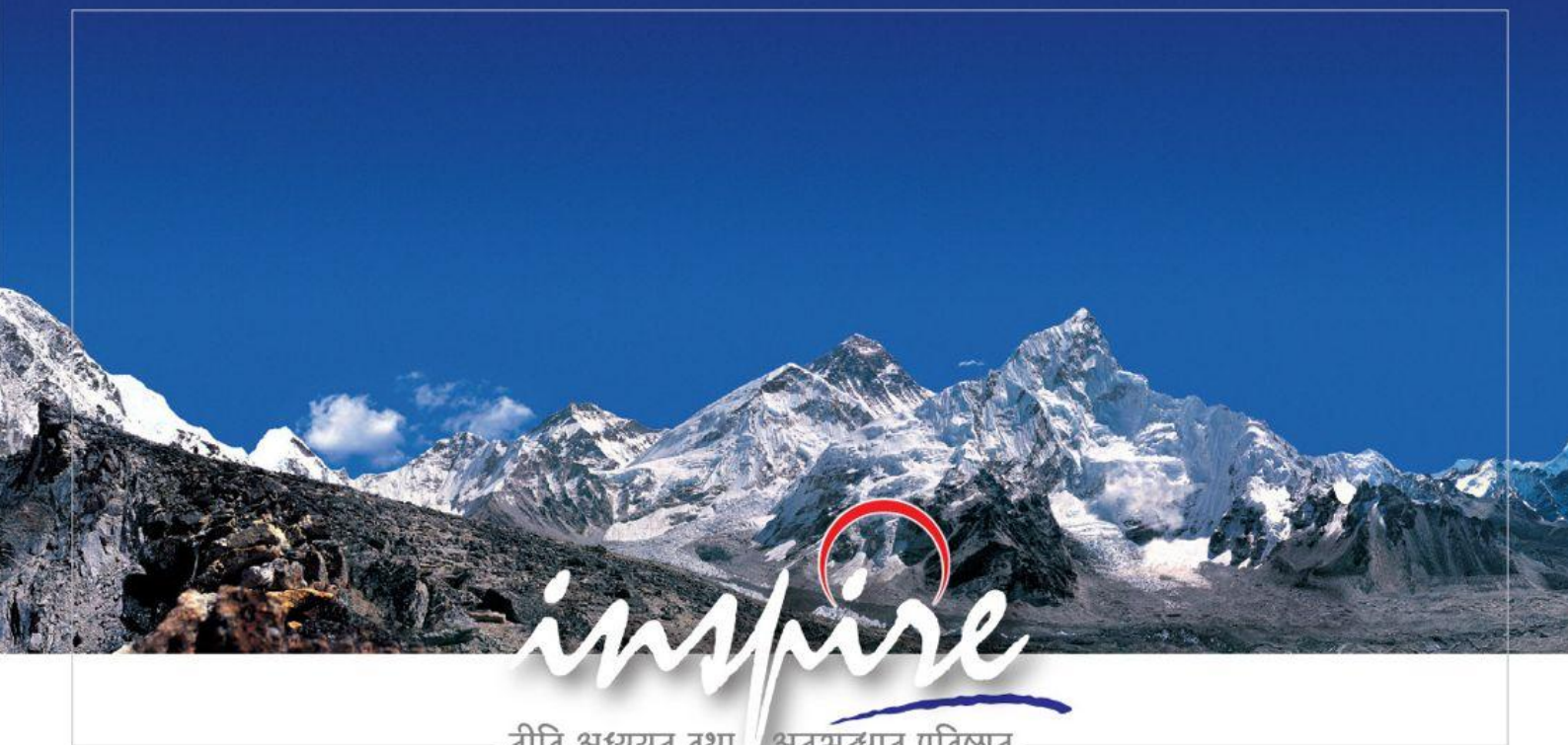




Class Analysis of Nepali Society

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Executive
Summary

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Introduction

Class analysis provides a basis for understanding the ownership of the means of production, the organisation of the production process, and the relations of production that shape political, economic, and social life. From the Marxist perspective, the classification of society into different classes is based on the relationship of labour to the means of production such as land, capital, and technology. The ownership of the means of production and an individual's role in the production process determine their class position. As economic and political development transforms the mode of production, the class structure of society also changes over time.

Political System and Class Structure

Political changes have a significant influence on Nepal's class structure. The state-controlled economy under the three-decade-long Panchayat system, economic liberalisation and the transition toward a free-market economy pursued by the Nepali Congress-led government since 1990, and the redistributive and socially oriented economic policies initiated by the CPN (UML)-led government since 1995 have had differential impacts on Nepali society and its class structure. Similarly, the Maoist violent conflict, which began in 1996, and the People's Movement of 2006, followed by the abolition of the monarchy, the establishment of a secular democratic republic, and the introduction of a federal system of governance, have all influenced the evolution of Nepal's class structure. A small section of society has been able to disproportionately benefit from the changed political system and achieve upward mobility in its social class, while a large proportion of the population has not been able to improve its socio-economic status to the extent expected from these political changes.

Basis of Class Analysis

From a Marxist perspective, class analysis is primarily based on the mode of production, which entails the productive forces and relations of production. Ownership and control of the means of production and productive assets, individuals' positions and roles in the production process, and the distribution of surplus value help determine their class position. In our context, class analysis should consider not only the ownership of productive assets and relations of production, but also other economic and social dimensions, such as economic crises, conflicts and natural disasters, which can reshape people's economic conditions and class positions. It

is also necessary to analyse class relations in Nepali society in the context of long-standing Varna-, caste-, ethnicity- and community-based discrimination.

Class Structure based on Ownership of Assets

Ownership of physical assets is a fundamental indicator for analysing social class. It reflects the accumulation of economic resources, economic security, and social status among individuals or households. Depending on the nature of the production relations, assets such as land, industrial capital, financial assets, and other forms of property can serve as a basis for economic power and exploitation. In Nepal, where industrial and financial capitalism are still in the process of development, ownership of land, housing, livestock, and other productive assets is considered an important basis for determining social class.

Land: Approximately 3% of agricultural households are landless. About 10% of households own less than 0.1 hectare of agricultural land, while around 50% own between 0.1 and 0.5 hectare. Thus, approximately 60% of households own less than 0.5 hectare of agricultural land. Around 23% of households own between 0.5 and 1 hectare, while only 10% own between 1 and 2 hectares. Approximately, 3% of households own more than 2 hectares of agricultural land. Based on land ownership, only a very small proportion of households falls into the upper class of society.

House: Housing is viewed not merely as a means of shelter, but also as an indicator of a family's socio-economic status. According to the 2021 census, 42% of households lived in houses with corrugated metal roofs, 38% lived in houses with permanent concrete roofs, and about 5% in houses with temporary roofs made of thatch, mud, or similar materials. This improvement can be attributed in part to post-earthquake reconstruction, remittances from overseas employment, and government programmes. While housing conditions provide an important indicator of household socio-economic status, and should be considered along with other indicators of class position. The improvement in housing quality suggests that only a relatively small segment of households can now be characterised as belonging to the lower class on the basis of housing conditions.

Industrial Assets: Because Nepal's industrialisation remains limited, there is still relatively little scope for class analysis based solely on the ownership of industrial assets. The total fixed assets of the industrial sector are estimated at around NPR 619 billion, equivalent to approximately 18% of GDP. Industrial assets are concentrated among a limited number of large business houses and families. Although small industrial enterprises account for approximately 91% of the total number of industrial establishments, their share of total industrial capital is

only around 26%. This indicates a significant concentration of industrial capital among a relatively small number of large enterprises and business groups.

Financial Capital: With the liberalisation of the industrial, commercial, and financial sectors, financial capitalism has expanded rapidly, contributing to the emergence of a new capitalist class. The total assets of Nepal's financial system reached approximately NPR 120 trillion in 2025, with a substantial portion of these assets and associated ownership concentrated among a limited number of major business houses. Total equity capital of banks and financial institutions reached around NPR. 9 trillion, of which around 13,000 promoter shareholders owned approximately 51% of the capital. Such concentration of capital ownership in the hands of a relatively small number of individuals and institutions has created conditions for increasing inequality in income, wealth, and living standards.

Financial savings and credit flows are also highly concentrated among a small section of society. Approximately 91% of deposit accounts at banks hold less than NPR 100 thousand per account, but these accounts represent only around 6% of total deposits. Depositors with more than NPR 500 thousand constitute 3.5% of depositors, and account for 79% of total deposits. While there are around 56.2 million individual deposit accounts, the number of business borrowers of bank credit is only around 2 million. This indicates a substantial concentration of access to financial capital and credit among a relatively small segment of the population.

The Nepal Stock Exchange has around 300 listed companies, with an aggregate book value of capital of approximately NPR 935 billion. Although there are around 8 million dematerialised accounts, approximately 42% are inactive or contain zero shares. Around 45% of accounts hold fewer than 500 shares, while only about 10% of shareholders hold more than 1,000 shares. While 90% of investors own less than 10% of the total shares, the shareholding of the top 1–2% of investors is estimated to exceed 50%. This pattern suggests that participation in the securities market is broad in terms of the number of accounts, while ownership of financial assets remains highly concentrated among a few numbers of investors.

Intellectual and Digital Property: There is no official statistics on the monetary value of such assets. Based on accounting standards, their value is estimated at approximately NPR 500 billion. The value of such assets has tripled over the past decade. These assets have brought about changes in the modes of production and relations of production. Their ownership is also concentrated among the capitalist, educated, and entrepreneurial classes. This emerging concentration of intangible capital is therefore becoming an increasingly important dimension of class formation.

Transformation of Agriculture and Class Structure

There are 4.13 million households engaged in agriculture comprising around 62% of total households. Among them, those with agriculture as the principal occupation were 52.5% as per 2021 census, a decline from 56% in 2011. The class structure of society and relations of production are also undergoing changes along with the decline in the proportion of households primarily dependent on agriculture. Although some changes can be observed in agricultural relations of production, the transformation of the agricultural sector remains limited compared with that of other sectors. More than two-thirds of farmers produce primarily for their own consumption, while those producing exclusively for the market account for less than 5%. Rapid mechanisation of agriculture is, however, beginning to transform relations of production. The expansion of agricultural cooperatives has also been an important factor contributing to this transformation.

Class Formation through Education

In modern society, education is one of the most important bases of class formation, as it directly influences an individual's knowledge, skills, occupation, income, social status and standard of living; while also providing a foundation for social mobility and upward class movement. Nepal's education sector has undergone substantial transformation over the past three decades. The literacy rate increased from 35.6% in 1995 to 72.5% in 2023; male literacy increased from 53.5% to 82.9%, while female literacy increased from 19.4% to 64.1%. The enrolment rate at the basic education level reached 97.7% in 2025, and gender parity has been achieved at this level.

However, access to school education remains strongly differentiated by socio-economic class. When access to education is examined by economic status, only 29% of children from the poorest 20% of households had access to secondary education, compared with 62% of children from the richest 20% of households. The disparity is even greater in higher education: only 2.3% of children from the poorest 20% of households had access to higher education, compared with 37.4% among the richest 20%. There are also substantial disparities in educational access along caste and social-group lines.

Technological Transformation and the Emergence of New Classes

Under capitalism, technological development can intensify exploitation when ownership of physical, financial, and intellectual capital, as well as control over artificial intelligence, and

other means of production remains concentrated in the hands of the capitalist class. Workers generally do not own the means of production and must therefore sell their labour power. Although technological progress can substantially increase productivity, the additional surplus generated through higher productivity tends, under relations of unequal ownership and control, to accrue disproportionately to capital owners.

Technological transformation is also creating new classes and occupational groups in our society, such as the technologically elite class, the knowledge-based middle class, digital entrepreneurs, gig-economy workers, and digitally excluded and disadvantaged groups. For the latter group, limited access to digital technology, connectivity, skills, and capital is placing them at the margins of emerging digital economy. Technology is not simply transforming the means of production, it is also restructuring employment relations, sources of income, patterns of capital ownership, and the broader class structure of society.

Distribution of Income and Consumption and Class Structure

Both income and consumption reflect the actual living standards of households and their social status. In 2023, the average share of national income accruing to the bottom 40% of the population was 21.8%, compared with only 11.9% in 2011. The share of national income of the bottom 10% of the population increased from 1.5% in 2011 to 3.8% in 2023. In contrast, the average share of national income received by the top 10% declined from 39.5% in 2011 to 22.7% during the same period, indicating that measured income inequality has gradually declined over time.

Consumption of physical goods and access to amenities have diluted class structure, as ownership of, and access to, many physical goods and services have become increasingly widespread among most households. Radio, television, telephone, smartphone, internet, motorcycle, refrigerator, and household electrical appliances have become common consumer goods and household amenities. Although ownership or use of motor vehicles, electrical and electronic appliances, and communication devices can still be used as indicators of living standards, they no longer adequately reflect the social class structure.

Economic, Natural, and Human-induced Crises and Disasters

Economic, natural, and human-induced crises and disasters can alter ownership of the means of production and transform production relations. However, their impacts are not distributed equally across all classes. The earthquake pushed an additional 2.5 to 3.5% of the

population—approximately 700,000 to 1 million people—into poverty. Covid-19 affected approximately 1 million jobs, while around 300,000 to 400,000 households temporarily fell below the poverty line. The Rasuwa-Bhotekoshi glacier flood of August 2026 destroyed or damaged property reportedly worth more than NPR 400 billion, caused substantial loss of life, and pushed thousands of surviving families into extreme poverty. Altogether, these shocks have resulted in significant downward economic mobility, with about 1.5 million households moving from higher to lower class position.

Caste, Community and Class

As society modernises, caste and other inherited social identities should, in principle, become less important determinants of social and economic status. However, the number of officially recognised caste and ethnic groups reported in successive censuses has continued to increase. Social groups are increasingly being classified as privileged or disadvantaged, and even as exploiters or exploited, on the basis of caste and community identity. Owing to the use of caste- and ethnicity-based criteria in allocating benefits such as political reservations, grants, subsidies, or special protection, social identity has become an opportunity for accessing state support and public resources.

When state protection, public opportunities, benefits, and concessions are allocated primarily on the basis of caste rather than class, a class-based analysis of society becomes more difficult. It can also make it less clear how political parties position themselves in relation to different classes according to their respective ideological orientations. This creates a tension between class-based and identity-based approaches to social justice, representation and redistribution.

Labour Market, Labour Relations and Class Character

The structure and trends of the labour market, as well as the nature of production and labour relations, provide one of the strongest bases for analysing the class structure of society. The structure and character of the labour market determine not only the economic relationship between employers and workers, but also, to a considerable extent, the class position, employment conditions, and living standards of workers and their families.

Among about 15 million people aged 10 years and above engaged in some form of economic activity, the largest share (50.1%) is engaged in agriculture, forestry, and fisheries

followed by those employed in elementary occupations (23.0%). The remaining economically active population is engaged in service and sales work, craft and related trades, management and other occupations, with each of these groups accounting for more than 5%. The structure of employment also shows that the largest group of economically active people (55.3%) works in their own businesses or enterprises. Wage and salary workers account for 28.6%, contributing family workers for 14.5%, and employers for 1.4%. This indicates the continuing dominance of household enterprises, small-scale production units, self-employment, and informal economic activities in the employment structure.

The occupational structure nevertheless shows that Nepal is gradually moving from a predominantly agriculture-based economy towards a more diversified economic structure, in which services, construction, manufacturing, and professional occupations are gaining importance. This transformation also indicates the emergence and expansion of new middle-class, technical, professional, and entrepreneurial groups within the social class structure.

Unemployment, Underemployment and Child Labour

Census data shows that only around 41% of people aged 10 years and above worked for more than six months during the reference period. Around 21.5% worked for less than six months, while 37.5% did not engage in any work. Among approximately 7 million children aged 5–17 years, around 1.1 million (15%) were engaged in child labour. Although such labour is strongly associated with poverty and economic vulnerability, it is reinforced by persistent traditional, feudal or semi-feudal social and economic structures that perpetuate unequal relations of production, dependence on family labour, and limited access to education and decent employment opportunities.

Foreign Employment and the Transformation of the Labour Class

Foreign employment has become one of the most important forces transforming country's labour market and class structure. The number of people obtaining foreign employment permits increased from 140 thousand in 2005 to 513 thousand in 2015, and to 839 thousand in 2025. This growth has been driven by a combination of poverty, unemployment, economic insecurity, disasters, conflict, growing international demand for labour, and the increasing attraction of overseas employment and income opportunities.

Foreign employment has also brought about a major transformation in household incomes through remittances. In FY 2025/26, Nepal received approximately NPR 2 trillion per month

in remittances which has contributed to higher domestic wage rates and significant reductions in absolute poverty. It has also helped reduce some disparities between lower- and higher-income groups in terms of consumption, household assets, and income. The expansion of employment opportunities, increasingly based on skills, productivity, mobility, and market demand, rather than solely on caste identity, has contributed to the erosion of some traditional occupational and caste-based divisions of labour. Nevertheless, caste-based inequalities have not disappeared altogether, particularly in access to education, quality employment, ownership of productive assets, and access to positions of economic and political power.

Socio-Economic Classification of Nepali Society

The class position of different groups within Nepali society has been broadly assessed on the basis of the country's political development, ownership of assets, transformation of agricultural sector, the structure of industrial, financial and intellectual capital, changes brought about by education and technology, labour-market mobility, economic crises and disasters, income and consumption patterns, and the prevailing social structure.

As mentioned above, 61% of households own less than half a hectare of land; around one-fourth of household heads are illiterate, and about 60% of household heads do not have formal employment. A large majority (more than 90%) of Nepali migrant workers going abroad for employment have only basic or limited skills. About 76% of bank depositors have savings of less than NPR 10,000; most families have little or no substantive ownership of productive enterprises and have virtually no investment in financial instruments such as bank shares and bonds. Most people have limited opportunities to accumulate intellectual capital. The average annual per capita income of households in the bottom 40% is less than NPR 350 thousand; for next 20% households, it is less than NPR 500 thousand, while for the richest 10% of households, it exceeds NPR 1 million. The average income of households in between these income groups is around NPR 600 thousand.

Based on these parameters, households are broadly classified according to their socio-economic position.

Very Low Class: The very low class comprises of households characterised by very limited ownership of productive assets, low and insecure incomes, and a high degree of exposure to economic exploitation, social exclusion, and deprivation. Many of these households own less than half a hectare of agricultural land and, their agricultural production is primarily for household consumption rather than the market. They are more likely to have an illiterate household head; use most of the agricultural production for household consumption and

experience food insecurity, have very limited access to financial markets, capital markets and modern technology. This class also has relatively little influence over political decision-making. Households in this class are generally characterised by absolute and multi-dimensional poverty. Based on the combination of these indicators, it is estimated that roughly 20% of households - more than 1.3 million households - belong to the very low class.

Low Class: The low class consists largely of households whose members depend on informal, insecure and low-paid employment; live in relatively poor-quality housing; have limited access to modern energy beyond basic household needs including lighting; possess only minimal physical assets; and have very limited access to financial markets, capital markets and modern technology. Many households in this class also have an illiterate household head and depend largely on agricultural production for household consumption rather than for commercial purposes.

The low-class shares many of the characteristics of the very low class. Even its economic position remains highly vulnerable and even relatively small economic or natural shocks can push households into the very low class. The second income quintile (the 20% of households immediately above the bottom quintile) can broadly be placed in this category. On this basis, the low class is estimated to comprise approximately 1.3 million households. Taken together, the very low and low classes are therefore likely to constitute at least 40% of all households, or more than 2.6 million households.

Lower-Middle Class: The lower-middle class generally includes farmers owning more than one hectare of land, salaried workers whose wages, salaries and employment benefits are above the national per-capita income level, and employees in the industrial, government and commercial sectors. It also includes workers engaged in skilled, relatively secure and decent foreign employment, as well as individuals who are socially, culturally, economically and politically more empowered than the national average. This group occupies a significant position in governmental, social and economic activities and generally has access to basic services and facilities recognised as fundamental rights of citizens.

Although this class has a relatively more secure socio-economic position than the low class, it does not generally accumulate sufficient and secure physical, financial and intellectual assets to guarantee a dignified standard of living under all circumstances. Most households in this category remain above the absolute poverty line but may face a significant risk of falling into poverty or experiencing downward socio-economic mobility in the event of a major conflict, natural disasters, economic crises, and prolonged unemployment or other severe shock.

The 20% of households immediately above the bottom 40% of the income group can broadly be classified as lower-middle class. The annual household income of this class is estimated to be above NPR 500 thousand. However, because their productive assets, savings and income buffers remain limited, they remain vulnerable to economic, natural and other shocks that could push them back into the low class. Considering their income, assets ownership, and occupational characteristics, approximately 20% of households, or around 1.3 million households, can therefore be broadly classified as lower-middle class.

Middle Class: The middle class is broadly considered to consist of households owning between one and two hectares of land per household, with significant savings in banks and investments in financial instruments such as shares and other securities. They also possess and utilise intellectual capital and professional skills, knowledge and technology that enable them to maintain a dignified standard of living with access to basic and essential facilities. This group has a greater capacity to withstand economic, natural and other shocks than the lower-middle class. Their average annual household income is estimated to be above NPR 600 thousand.

The middle class is a relatively dynamic and internally differentiated social group. It includes emerging entrepreneurs, relatively high-consuming households, and people with access to modern knowledge, skills and technology. At the same time, intermediary and rent-seeking groups may also emerge within this class as commercial and market opportunities expand. This class may simultaneously contain groups that oppose different forms of exploitation and deprivation, as well as groups which may themselves participate in exploitative or intermediary economic relationships. On the basis of income, assets, occupation and access to basic facilities, approximately 30% of all households, or around 2 million households, are estimated to belong to the middle class.

Upper-Middle and Upper Class: As approximately 90% of all households or around 6 million households, are classified within the low, lower-middle and middle classes, the remaining 10% of households are broadly divided between the upper-middle and upper classes. In the absence of sufficiently detailed data to establish a clear boundary between these two groups, they are consolidated into a single analytical category. This category includes large farmers, highly paid employees in industrial, governmental and professional sectors; and skilled workers employed by foreign companies and institutions who possess advanced information-technology skills, managerial capabilities, higher education and substantial professional experience. Their annual household income is estimated to be above NPR 1 million.

This group is considered to possess substantial physical and financial assets, as well as high level of political and social status, social capital, educational attainment, lifestyle, and living standards. It comprises households holding significant industrial, financial and technological assets and having the capacity to exert considerable economic and social influence. Such households have a greater capacity to maintain a high standard of living even during major conflicts, disasters or economic crises or other severe shocks, with secure access to food, housing, education and healthcare. A section of this class can become a major source of class exploitation and social domination. Based on the indicators discussed above, about 700 thousand households are placed within the upper-middle and upper classes, although the precise boundary between the two cannot be established without more detailed data.

Overall Class Structure: Based on indicators such as wealth and asset distribution, income levels, the nature of work and employment, political and social status, living standards, absolute and multidimensional poverty, and access to basic services, it is estimated that, among approximately 6.6 million households in Nepali society, around 2.6 million households belong to the very low and low classes, 1.3 million to the lower-middle class, 2 million to the middle class, and 0.7 million to the upper-middle and upper classes. When the very low, low and lower middle classes are considered together, they account for approximately 3.9 million households or around 60% of all households.

This classification should be understood as an indicative analysis of Nepal's socio-economic structure rather than a definitive classification of class position. A comprehensive class analysis must also consider the ownership and control of the means of production, relations of production and labour relations, political influence, social capital, and households' vulnerability or resilience to economic and natural shocks.

Summary and Conclusion

Class structure changes with political and social development. As society evolves, its class structure also changes continuously. In the course of political, economic, social and cultural development, some traditional classes and class relations identified in Marxist analysis are transformed, while new classes and class fractions emerge in response to changes in the mode of production, technology, labour markets, and patterns of asset ownership and accumulation.

Class analysis in Nepal must be linked with caste and gender. The Marxist analysis of Nepali society needs to be examined together with the caste-based and gender-based discrimination and exclusion that have persisted for generations. Caste and class are distinct

dimensions of social structure; however, because caste and class have historically been closely interconnected and mutually reinforcing in Nepal, it is necessary to analyse how class relations intersect with caste and gender relations and how these relationships have shaped and influenced access to productive resources, employment, education, political power and social opportunities.

The tension between identity-based and class-based approaches needs attention. The increasing provision of state protection, public opportunities, benefits and concessions on the basis of caste, ethnicity and community identity, without considering economic class and material deprivation, can make it more difficult to identify and address the specific needs of economically disadvantaged groups on the basis of their class position. The continued tendency to interpret society primarily through traditional social categories rather than through a scientific socio-economic framework has made the relationship between social identity, class interests and political representation more complex. It has also made the class orientation of political parties less clearly identifiable in relation to their stated ideological positions.

A large proportion of households (40%) is in the low-income classes, another 20% in the lower-middle income class, 30% in the middle class and 10% in the upper middle and upper classes. In many less-developed economies, approximately 50–65% of households fall within lower-income categories. Thus, around 60% of Nepali households or approximately 3.9-4 million households, fall within the low and lower-middle classes according to the classification used in this analysis. This proportion is broadly comparable with the share of households in lower-income categories observed in many least-developed countries, although such comparisons should be interpreted cautiously because definitions, income levels, and classification methodologies may differ across countries.

The expansion of the middle class remains limited. Over the past decade, the share of the middle 30% of households, those between the bottom 60% and the top 10% of the income distribution, in national income has increased by only around 2 percentage points, and by approximately 3 percentage points over the past two decades. In terms of consumption, this group's share of national consumption increased only from 36.8% in 2011 to 38.0% in 2023. Thus, the expansion of the middle class, as defined here, has not been as substantial as expected from the broader process of economic and social transformation taking place in Nepal.

Agricultural relations of production remain relatively underdeveloped. Although some changes have taken place in agricultural relations of production, the transformation of the agricultural sector remains limited compared with other sectors of the economy. The specialisation, monetisation and commercialisation of agriculture remain relatively weak,

while unequal and exploitative forms of economic transactions and labour relations continue to exist. There has also been limited change in the perception of agriculture from an activity undertaken primarily for subsistence and economic necessity to one pursued as a commercially viable and productive business.

Financial and technological assets are driving the emergence of new classes. Nepal is in a transitional stage in which traditional feudal relations and structures have weakened while capitalist relations of production have become increasingly established. In this transition, ownership and control of financial and technological assets appear to be important drivers of new class formation. Although a middle class is emerging, a substantial portion of it remains relatively close to the lower-middle-class range in terms of economic security, asset ownership and capacity to withstand major economic, natural and social shocks.

Intellectual capital is becoming a major basis of class formation. In a modern knowledge-based economy, intellectual property, specialised knowledge, technical skills and other knowledge-based assets are becoming increasingly important source of economic value and wealth. Assets accumulated through intellectual and technical knowledge, skills, innovation and research are creating new forms of economic opportunity, social differentiation and class formation. The emerging ‘new economy’ is changing not only the organisation and means of production but also the forms through which economic power, value creation and exploitation are organised and exercised.

This analysis has implications for the class orientation of left political parties. The emergence of a middle class, multiparty political competition, the practical imperatives of governing, and the gradual adaptation and modification of political philosophies, principles and policies have weakened the explicit political identification of the left parties with the interests of lower-income and working-class groups. Given that the majority of Nepali households continue to fall within the low and lower-middle classes, the policy orientation of the pro-people and left political parties should remain grounded in the interests and aspirations of these broad social groups. Accordingly, the policy agendas, government programmes and budgets of such parties when in power, as well as issues they raise in Parliament when in opposition, should reflect this class orientation while remaining consistent with their broader ideological commitment to social justice, democracy and socialism-oriented transformation.



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