

Impact of Remittance on Investment
(A Case Study of Salleri-VDC of Okhaldhunga District)

**A thesis submitted to the Central Department of Economics, Faculty of
Humanities and Social Sciences
for the Partial Fulfillment of the Requirements for the Master's
Degree of Arts in Economics**

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LETTER OF RECOMMENDATION

The thesis entitled **IMPACT OF REMITTANCE ON INVESTMENT (A Case Study of Salleri-VDC of Okhaldhunga District)**, has prepared by Krishna Prasad Chaulagain under my supervision and guidance in partial fulfillment of the requirements for the Degree of Master of Arts in Economics.

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APPROVAL SHEET

The thesis entitled **IMPACT OF REMITTANCE ON INVESTMENT (A Case Study of Salleri-VDC of Okhaldhunga District)**, submitted by Krishna Prasad Chaulagain to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of MASTER OF ARTS IN ECONOMICS has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of said degree.

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LIST OF ABBREVIATIONS AND ACRONYMS

BBC:	British Broadcasting Corporation
CBS:	Central Bureau of Statistics
DOFE:	Department of Foreign Employment
DOLS:	Dynamic Ordinary Least Squares
FDI:	Foreign Direct Investment
GCCs:	Gulf Cooperation Countries
GDP:	Gross Domestic Product
GLSS:	Gross Living Standard Survey
GMM:	Generalized Method of Moment
IMF:	International Money Fund
IOM:	International Organization for Migration
IMC:	Industrial Modernization Center
KSA:	Kingdom of Saudi Arabia
MTO:	Money Transfer Office
NLSS:	Nepal Living Standard Survey
NRB:	Nepal Rasta Bank
NRs:	Nepalese Rupees
OECD:	Organization for Economic Co-operation and Development
OLS:	Ordinary Least Square
SSA:	Sub Saharan Africa
SPSS:	Software Package Statistical Survey
UAE:	United Arab Emirates
USD:	United States Dollar

VDC: Village Development Committee

WB: World Bank

CHAPTER I

INTRODUCTION

1.1 General Background

Remittances are the money and goods sent from urban areas or abroad to households by migrant workers working outside their communities of origin. The term of migration is people move from one place to go to live in another place. With the development of human civilization, people needed more facilities, more knowledge and easier life, that away, there has been rapid growth in transportation, education, and communication sector in the world. Migration depends upon the availability of facilities, opportunities, resources etc. the higher availability of facilities to attraction many people. Almost all the under developed countries including in Nepal concerned with the main problem of unemployment.

Generally more than 400, 000 peoples are produced in education sector a year in Nepal. All are not get the suitable job so they drain in the past period, Nepalese migrate specially India, China and Bhutan but now a day's their area is broadly because the global economy opened up and gradually and the host economies (Malaysia, United Arab emirates , South Korea, Saudi Arabia, Qatar, other Gulf countries) involved Nepalese workers to work. Human resources are the wealth of nation and its role has explosion increased in now a days for unskilled, semiskilled and skilled people have shown explosion inclination towards foreign employment resulting in substantial growth of remittance economy (Dahal, 2004). Remittance is important to the countries that receive them are growing rapidly and have the potential to promote the economic development of the poorest nations in the world.

Nepal is an agrarian country where agriculture is the main occupation of Nepalese people. In Nepalese contents, there is no more fertile land, no industry, no electricity, no more infrastructures. Therefore the destination of employment of Nepalese people are abroad. Now a day's remittance is backbone of the Nepalese economy. Remittance plays the vital role in the Nepalese economy. Generally, more than one thousand Nepalese people go to foreign country per day. Recently government of Nepal opens the 109 country for the Nepalese people to working the per capita income is 772 US \$ of Nepalese people (MOF, 2015), which is the main role of remittance. Nepal has been places in second position after India in earning of remittance.

The World Bank's working definition of remittances is workers remittance plus compensation of employees plus migrant transfers all of which are obtained from the balance of payments accounts of receivers and remitters. Depending on the exact definition remittances are usually calculated as the combined value of workers remittance and labor income (compensating of employees) for migrant working abroad for either more or less than one year. Besides the remittances reflect the monetary dimension on the complex web of linkages that exists between migrant Diasporas and their home countries. The term remittance is normally limited denote monetary and other cash transfers, transmitted by migrant workers to their families and communities.

Remittances are an increasingly source of external finance for developing country like Nepal. The remittance to GDP ratio increased from 10.3 percent in 2001/02 to 17.4 percent in 2007/08, 19 percent 2009/10 and 19.2 percent 2010/11. Remittances increased by an average growth of 28.7 percent in the last six years. In the first eight months of 2014, remittances reached NRs. 491 billion, about seven times larger than official development assistance and five times larger than export earnings .Based on the size of economy, with its remittance to GDP ratio of about 25 percent, Nepal is in the third position among all countries as shown in migration and Development Brief, 2014 of the World Bank.

Remittance is a major source of foreign currency to the developing country has become a substantial component of making current account surplus in the balance of payments. “Remittance is a sum of money that you send as payment for something” (BBC English Dictionary, 1994). Remittance is the portion of international migrant workers earning send back from the country of employment to the country of origin.

The international migratory population accounts three percent of the world population, while official remittance flow was US\$ 440 billion in 2010. A significant portion (US\$ 325 billion) is received by developing countries, a volume which is quite larger than official aid flows. No doubt remittance represents important resources for developing countries. It has recently been more prominent in scholarly research.

Nepalese international migrants reached three million in 2010, where there were only ten thousand in the early 1990s (Department of Foreign Employment ,2011). Remittance has increased rapidly in the last fifteen years. Officially recorded remittance stood at US\$ 2.7 billion in 2009, that is, 22 percent of the total GDP.

If the unrecorded amount from India to Nepal is added, then the contribution of remittances could be as high as 30 percent of GDP (World Bank, 2009). Remittance can contribute in the capital formation, hydro electricity production, banking sector, government revenue and microfinance. Nepalese rupee has been continuously depreciating against US dollar since October 2011. As a result remittance inflow and inflation is increasing but banks are lowering interest rates in deposits and lending's.

In 2014, remittance receiving households reached 65.10 percent, whereas it was only 23.4 percent in 1995. Nominal average remittances per household also jumped to 80,436 NRs (Nepalese Rupees) in 2010, while it was 15,160 NRs in 1995 (CBS, 2011). The large-scale migration and remittance inflow over the last two decades have shown Nepal to be “a remittance economy”, presenting challenges for policy makers. Over the last fifteen years, the poverty head count decreased appreciably in Nepal, from 42 percent in 1995 to 31 percent in 2004 and to 23.8 percent in 2014. On the other hand, inequality increased from 35 to 44 percent between 1995 and 2004, before decreasing to 33 percent in 2014.

The first issue is that, although remittance is explicitly recognized as the backbone of the economy and its effect on poverty reduction can be significant, there is no empirical study using the latest Nepal Living Standard Survey, (2010, NLSS III). If remittances flow to the relatively poor households, it would accelerate poverty reduction and achieve equity. However, the reality is that subsistence farmers cannot easily manage money to obtain passports and afford international airfare. In addition, there are lengthy administrative procedures for international migration from Nepal. Financial institutions provide loans based on the borrower's economic status; however, poorer households have little or no wealth. There is a Nepalese saying: “Sheep with sheep and goat with goat”. This means rich people's friends and relatives are rich whereas poor people's network is poor. Author argues that households in the upper quintiles have more chances to migrate to well-paid destinations, whereas youths from lower quintiles move to low-wage areas. Therefore, the second issue is that relatively poorer households receive less remittance amount than richer households. Obviously, the third issue is that remittances increase inequality in the Nepalese economy.

Remittance helps an undeveloped country to fill its investment consumption saving as well as its technology gap. Yet there are people who receive remittances a kind of dependence which doesn't only help the recipient country in any real sense but also weakens its desire and its economy policy and society which are needed for social transformation.

Remittance is used in the context of the flow of resources from developed country (Industrialized) countries to less developing countries has many different interpretations. Now a day's remittance is the main sources of the people for so many of economic functions like as consumption, investment production etc.

There has been political instability in Nepal over past two decades. It has had 25 governments from 1990 to 2015. When multiparty democracy was restored in 1991, one segment of the population that was especially inclined to politics prospered dramatically, enough to move up in economic status from the lower to middle-income class and from the middle to high-income level. There was extensive abuse of democracy from the ward level up to the level of government policy. Politicians thought that public resources and top-level positions were for their parties and supporters rather than for the overall development of the country. There was democratic government on surface, but all government institutions became weaker due to political intervention. A large portion of the population, especially from lower castes and who own little or no land were excluded from economic and political opportunities and joined the Maoist Party, which is the main source of conflict in Nepal. Communist Party of Nepal (Maoist) gradually became stronger and launched the People's War in 1996 for social and economical transformation.

China and India have double digit economic growth; however, Nepal's domestic as well as international investment was curtailed by insecurity, corruption and power shortages. Many industries were closed, and thus overall economic indicators signaled a downturn. Educational institutions and transportation service were badly affected by frequent strikes. A peace agreement was made in 2006 between the former Maoist rebels and the state to write a new constitution, but this process recently experienced a setback as the Constituent Assembly failed to deliver it by the deadline of May 27, 2012. Nobody loves unemployment. Nepalese peoples main internal migration destinations are Terai region (flat land) and Kathmandu while international migration destinations are India, the Gulf countries, Malaysia, Australia, Japan, United Kingdom, and the United States.

Geographical structure is heterogeneous in Nepal. Mountain region is cold and land is infertile. Hilly regions' land is also infertile in comparison to the Terai region (flat land) and transportation is risky. Schools, Hospitals and security situation are also better in the Terai region. Therefore people migrate from mountain and hilly regions to the Terai region. Less job and business opportunities in the rural sector than urban sector is also important reason of

internal migration in Nepal. Wage rate is significantly higher in Gulf and developed countries than Nepal. The unique open border between Nepal and India, the Gulf States' boom and globalization are other reasons of cross-border migration from Nepal including women and talented university graduates. Economic activities, government policies, bureaucracy and social services are directly linked with politics. Thus, political instability is the main reason of both internal and international migration in Nepal.

Koirala (2011) has ranked Nepal into 6th among all countries across the globe that receive more remittances as a share of gross domestic product in 2011, says a report released on 1st December 2011 of the World Bank on Migration and Development.

The Outlook for Remittance Flows 2012-14 estimated that Nepal would receive around US\$ 400 million worth of remittances from its overseas workers in 2011, making remittances stand at 20 percent of country's total GDP. Tajikistan, Lesotho, Samoa, Moldova and Kyrgyz Republic are the top five countries receiving more remittances as a share of GDP, and Nepal stands at the 6th place, says the report. Remittances received by these top five countries were equal to 31 percent, 29 percent, 25 percent, 23 percent and 21 percent of their respective GDP.

The new estimates show that the top recipients of remittances among developing countries in 2011 are India (US\$ 58 billion), followed by China (US\$ 57 billion), Mexico (US\$ 24 billion) and the Philippines (US\$ 23 billion). Pakistan, Bangladesh, Nigeria, Vietnam, Egypt and Lebanon are other large recipients in terms of US dollar (Sapkota, 2014).

The report estimates that remittance flows to developing countries in 2011 could have touched US\$ 351 billion. This is 8 percent growth over what those countries received in 2010 and well above the growth forecast of 7.3 percent that the WB had made earlier. When flows to high-income countries are included, the global remittance flows could touch US\$ 406 billion this year. And this is the first time since the global financial crisis that remittance flows to all developing regions have increased in 2011, reads the report. The report attributes the rise in remittance flows to countries like Nepal to high oil prices, something which enabled Gulf countries to hire more workers and pay them better than the past few years. The depreciation of local currency, which enabled families back home enjoy net exchange rate gains, also contributed in the flow of remittances in countries like Nepal. Such finding of the

WB matches with the figures that the Nepal Rasta Bank (NRB) released recently. The latest macro-economic report that NRB made public on Wednesday says Nepal received some Rs 75 billion worth of remittances over the first quarter of this fiscal year, which is about 28 percent rise over remittances received in the same period last year.

The report further added that even though remittances to developing countries grew in 2011, they are vulnerable to the uncertain economic prospects in the migrant destination countries. Following this rebound, the WB predicts that the remittance flows to developing countries could continue in a range of 7-8 percent per annum and reach US\$ 441 billion by 2014. The remittances are expected to increase 8.0 percent to US\$ 351 billion in 2011, 7.3 percent to US\$ 377 billion in 2012, 7.9 percent to US\$ 406 billion in 2013, and 8.4 percent to US\$ 441 billion in 2014 (NRB,2014).

Global remittance flows, including those to high-income countries, are expected to exceed \$515 billion by 2014. Remittances to the developing economies in East Asia and the Pacific are projected to rise 7.6 percent to \$101 billion in 2011 and 7.3 percent to US\$109 billion in 2012. They are forecast to increase by another 8.0 percent to US\$ 117 billion in 2013 and 8.7 percent to US\$ 127 billion by 2014 (NRB,2014).

The World Bank report says that high oil prices, which have hovered over US\$ 100 a barrel in recent months, continue to provide a much-needed cushion for migrant employment in, and remittance flows from, the Gulf Cooperation Countries (GCC) and Russia. The report acknowledges that the remittance costs have fallen steadily from 8.8 percent in 2008 to 7.3 percent in the third quarter of 2011. However, it pinpoints that is still too high, especially in Africa and other small nations where remittances provide a lifeline to the poor (WB,2013/14).

Following such finding, the WB has pressed the countries across the globe to improve the data on remittances at the national and bilateral levels.

1.2 Statement of the Problem

Nepal is a poor country. It has low level of living standard, low level of productivity, high rate of population growth, and high level of unemployment and so on.

Therefore, country needs remittance and foreign aid to overcome the problems. The contribution of remittances in the economy mainly depends on the role it plays in increasing employment or the nation income. This crucially depends on the productive use of remittance or investment in the economy. In Nepalese economy only are source of economic stabilization and growth rate maintenance is remittance income. According to the economic survey per capita income is increased to US\$ 645. This is only increasing due to the trend of remittance income. Remittances contribution to growth & poverty might reduce the incentives per implementing sound macroeconomic policy. A few studies undertaken relating to the uses remittances show that saving produce by remittance is frequently directed to purchases of non-productive.

Assets remittance is also seen to increase dependency. Remittances inflows are quite volatile since countries that rely too much on them may face economic shocks when the follow is disrupted. The government should be formulated and implemented appropriate policies so that remittance inflows are use in productive sectors, consumption sectors, such as on education and industries.

In Nepal remittance has played a vital role in maintain an overall economic stability. Remittance income is the major source of income of many households Salleri VDC of Okhaldhunga people in study area has changed their consumption pattern because of flow of remittance. Remittance has changed their attitude towards education, trade, and agriculture and so on. Most of remittance receivers have desired to invest for education, land, trade and agriculture sectors. In this context this study tries to solve the following terms:

- i. What is the inflow of remittances on the study area?
- ii. What is the trend of investment on the Salleri VDC?
- iii. What is position of remittances on investment in the Salleri VDC?

1.3 Objectives of the Study

The general objective of the thesis is to analyze the impact of remittance on investment in Salleri VDC of Okhaldhunga district. However, the specific objectives of the study are as follows:

- i. To examine the inflow of remittance at the household level in study area.
- ii. To analyze the impact of remittance in Salleri VDC of Okhaldhunga District.

iii. To state the trend of remittance in Salleri VDC of Okhaldhunga.

1.4. Significance of the Study

Remittance plays a vital role in the development of Nepalese economy most of the remittance income is used in the unproductive field like house building, land purchasing, purchasing of luxurious goods and consumption etc (Regmi, 2007) therefore remittance income may not contribute to the long term development of the county.

The study focuses on the contribution of remittance for Nepalese economic development. In these days the remittance income is using in the advantage of the migrated people and their family only. If the remittances are invested in the productive sectors like industries, development activities etc., and then only the effect of that remittance income can be felt by the other citizens of the Nepal.

Hence, the study aims to analyze the trend, flows role and relation between investments of remittance being provided by this country for economic development of Nepal in various fields. This can be given as follows:

-) It helps to minimize poverty.
-) It helps to know their economic position.
-) It helps to provide investment pattern.
-) It notifies the remittance income roles/contribution.

1.5 Limitations of the Study

The main limitations of the study are as follows:

-) This study is based on the trend of labor migration and remittance for last ten years at VDC level and its impact on investment only.
-) This study is concentrated on a particular area of Salleri VDC Okhaldhunga to examine the uses of remittance on investment.
-) Conclusion or generalization of this study is not applicable in the other part of the nation.
-) This study is mainly based on primary data, but secondary data can also be used if needed.
-) Only the simple statistical tools are used to analyze the data.

CHAPTER II

REVIEW OF LITERATURE

2.1. Theoretical Analysis

A crucial point made in this paper is that both financial and nonfinancial institutions are needed to induce investments. A country may have respectable nonfinancial institutions, say a functioning democracy, but it requires vibrant financial markets to mobilize both local and international capital, and channel them into productive usage. In the same way, no matter how competent a country's financial institutions appear to be, political stability, less corruption and efficient bureaucracy and avenues of redress are paramount in bolstering investor confidence. Our study differs from earlier works by focusing on investment and investigating how the institutional framework and the financial infrastructure influence both investments as such and how remittances impact investment

Many studies examine the relationship between remittances and investments in the home countries. Barajas, (July 2009) point out that for developing countries remittances are large relative to other financial flows. They find that, in last 10-year period, remittance flows have become as large as foreign direct investment (FDI) flows to developing countries, amounting on an average of about one third of export earnings, more than twice the private capital flows, almost 10 times official capital flows, and more than 12 times official transfers. In light of this, developing countries should capitalize this huge amount of remittance inflows and use it for investment to promote development and inclusive growth. Empirical evidence in this regard shows that the inflow of remittances by the migrant workers and professionals from a developing country helps in increasing the investment activities in the recipient country.

Asiedu (2003) revealed that nearly 30 percent of remittances are used for the purpose of investment and construction of house in Ghana. Similarly, Drinkwater (2003), if the primary income earner remains at home and continues to maintain the household, earnings from migration are more easily diverted to savings and investment. By using 1988 survey of 1,526 Egyptian migrants, McCormick and Wahba (2001), attempted to find the probability of a migrant becoming an entrepreneur/employer/self employed person or a business owner upon his/her return from working abroad. Even though, the results are different for literate and illiterate migrants, the general conclusion derived was that two factors namely, time spent

working abroad and total amount of money saved abroad have positive and significant effect on the likelihood of migrants becoming entrepreneurs on their return to the home country.

Adams (2005 a) examined the impact of remittances on the spending behavior of households for consumption and investments, in both rural and urban Guatemala. The study takes the data from a 2000 survey of 7,276 households and compares the marginal budget share of remittance receiving and non-remittance receiving household on six consumption and investment goods. The findings show that the households receiving international remittances spend more at the margin on investment goods, especially, on housing and education, and spend less, at the margin, on food items.

Yang (2004) analyzed how the exchange rate shocks during 1997 due to the Asian Financial Crisis affected the expenditure pattern of 1,646 Filipino households receiving international remittances. of the several findings in this paper, one of its findings shows that favorable exchange rate shocks (i.e. more remittances income as a result of favorable exchange rate shocks) increases the investment of remittances receiving household in entrepreneurial activities specifically in transportation, communication and manufacturing enterprises.

Cham (2003) has discussed that remittances may affect the rate of private investment in an economy. However, whether remittances affect the rate of private investment in a country depends on how remittances are spent. How remittances are spent depends in turn on the motives driving the remittance flows. The literature identifies the following two main theories for analyzing remittance flows (IMF World Economic Outlook, 2005, pp. 78). The two theories are critical in providing a conceptual framework for understanding the relationship between remittances and private investment.

According to theory of Altruism, the decision to remit is based on the income needs of the relatives of the emigrant worker. Emigrant workers send money to their relatives in the country of origin in order to improve their welfare. There is no expectation of reciprocation on the part of the migrant worker. The migrant worker remits the money because his utility is derived from that of his family members (Chami, 2003). In other words, the migrant worker gets satisfaction if the welfare of the family left back home improves. As a result, the motivation for the migrant worker to remit increases when his family is facing economic constraints. Remittances are therefore a form of compensatory transfers which compensate households faced by economic disruptions thus enabling them smoothen their consumption. As such remittances tend to be countercyclical; increasing during periods of economic

downturns and decreasing during periods of robust economic growth. Therefore, according to this theory, remittances do not have a positive relationship with private investment since they are primarily spent on consumption activities.

In Portfolio Approach, remittances are viewed as a strategy by an emigrant worker to diversify his or her savings. Accordingly, the decision to remit is based on the risk return differential of assets in both the host and recipient country. As such, the main determinants of the decision to remit include interest rate differential on deposit accounts in the host and recipient country, real estate return, inflation rate, and black exchange rate premium among others. Apart from these economic determinants, the desire to may also be driven by the desire of the emigrant worker to return back home with dignity in the event that the emigrant worker chooses to return home (OECD, 2006). Since the desire to remit is purely motivated by investment opportunities, the correlation between remittances and GDP tends to be positive unlike in the previous case of altruism. Similarly, according to this theory, the correlation between remittances and private investment is positive since remittances are principally spent on investment activities.

As considering the indications of increase in international migration and remittances flow, the literature on migration and remittances at the world, regional, country and community level has been expanding enormously. Economists associate poverty level with income; therefore remittance income can play a vital role in poverty reduction from the point of view of developing economies. Most of the studies found that when remittance income increases, poverty level decreases. Using household survey data from 71 developing countries, Adams and Page (2005) noted that a one percent increase in per capita international remittances in developing countries leads to a 0.35 percent decrease in poverty headcount ratio.

Acosta (2007) postulated a moderate impact of remittances on poverty reduction in Latin American economies. That is, one percentage point increase in remittances to Gross Domestic Product (GDP) ratio causes only a 0.4 percentage decline in poverty headcount ratio.

Gupta (2009) also agreed that remittance is an important resource for African regions' well-being through financial sector development. Using country level household survey data, empirical works show that both internal and international remittances are vital for poverty alleviation. For instance, Adams (2004) found that in Guatemala internal and external remittances reduce the poverty headcount ratio by 3.18 percent, the poverty gap by 8.05

percent and the squared poverty gap by 16.86 percent. Also, Lokshin (2007) argued that the role of remittance to bring down the poverty head count rate from 42 percent to 31 percent points between 1995 and 2003 in Nepal is 20 percent.

Carling (2005) defined remittances as transfers of value by emigrants or their descendants to their country of origin (Carling, 2005). Such transfers include not only those covered by the balance of payment statistics but also “social remittances”, that is “the ideas, behaviors, identities and the social capital the migrants export to their home communities” (Levitt and Nyberg-Sorensen, 2004: 8). Also included in the notion of transfers of value are remittances in kind and transfers made through informal value transfer systems (Levitt and Nyberg-Sorensen, 2004; Carling 2005; Adams 1991). Nevertheless, for the purpose of this study, the following IOM definition of remittances would be used:

Migrant remittances are defined broadly as monetary transfers that a migrant makes to the country of origin. In other words, financial flows associated with migration. Most of the time, remittances are personal, cash transfers from a migrant worker or immigrant to a relative in the country of origin. They can also be funds invested, deposited or donated by the migrant to the country of origin. The definition could possibly be further broadened to include in-kind personal transfers and donations (IOM Glossary). Remittances can take numerous forms, including personal deposits, investments, intra-family transfers, charitable donations made by migrants both as crisis relief and long-term development contributions, and pension and social security transfers from destination countries where migrants obtain the right to pensions. While the focus of this research is on financial remittances, it must be acknowledged that the categories and forms that remittances take, in practice, are not easily separable. For example, in the case of entrepreneurs, the skills and networks they acquire while abroad act as an asset (social capital and knowledge capital) when starting up an SME in the country of origin.

Arayal (2005) focused on the impact of migrant remittance on household welfare and the land conservation investment in Mardi watershed of Nepal. His study considers increased income and consumption as the indicators of household welfare and the land conservation investment as the major indicator of land uses sustainability. Further, it will also inquire if internal and international migration remittances have differential impact on household welfare and land conservation. The study summarize that the increase in remittance has a positive effect on the household welfare and soil conservation investment. Household production as well

consumption level have improved similar results are found in case of soil conservation investment of the household.

Adams (2006) also identified that internal and external remittances in Ghana reduced the poverty headcount ratio by 2 percentage points, the poverty gap by 2.62 percent and squared poverty gap by 4.29 percent. Further, Taylor (2005) agree that role of international remittances is greater than internal remittances in poverty decline in rural Mexico. The impact of remittances on inequality has mixed findings. Some studies identified that migration and remittances reduced inequalities in Hubei province of China and in Vietnam (Zhu and Luo, 2010; Pfau and Giang, 2011). Conversely, other works reveal that migration and remittance increased income inequality in Ghana and rural Egypt (Adams, 1991; Adams, 2008).

The impact of remittance on poverty and income distribution in developing countries has been extensively investigated since 1980s with mixed findings. In general, it is agreed that migration and remittance reduce poverty. However, the magnitude of poverty reduction varies among origin communities, remittance sources, and whether remittance is treated as 'potential substitute' or 'exogenous transfer'.

Using household data from 11 Latin American countries, Acosta, Fajnzylber, and Lopez (2007) found that the impact was modest and varied across countries. The impact on income inequality varies among studies, depending on the migration history, setting of migration, and endowment of human capital (Stark, 1986). Some studies find that migration and remittance do reduce income disparities (Zhu & Luo ,2010) for Hubei province of China and Pfau & Long (2011) for Vietnam). However, some other studies show that migration and remittance increase inequality (e.g. Adams, Cuecuecha & Page (2008) for Ghana and Adams (1991) for rural Egypt). Meanwhile, a few other studies show that the direction of impacts depends on the methodology used (Barham & Boucher, 1998), choice of destinations (Wouterse, 2010), setting of migrant communities and maturity of migration process. In the study of Nicaragua, Barham and Boucher (1998) found that remittance would work as an income equalizer when they treated it as an 'exogenous transfer' but it would work as a un- equalizer when they treated it as a 'potential substitute' of household earnings.

Taylor (2005) considering remittance as an 'exogenous transfer' in the study of rural Mexico, found that the impact depends on the incidence of migration in each region; the regions having higher level of foreign migration have lower inequality and poverty. There are few

studies on migration and remittance for Nepal. Existing studies have generally focused on the evolution process of migration

Shrestha (2004) aimed to provide diverse and fragmentary evidences on the macro and micro level information on foreign employment and remittances analyze its importance to the economy and households.

Regmi (2007) in this case study of Khilung Deurali VDC of Syangja expected to examine the role of remittance in rural poverty reduction. He found that 69 percent to examine the role of remittance in rural poverty reduction. He found that 69 percent of sample households improve education of their children from remittance income. Still around 78 percent households improve their condition of housing. The study took 100 household as sample out of 797 of study area.

Dhital (2007) tried to assess remittance current position and its role in the economy on this area to dig out the ground realities. She concluded that remittance generate positive multiplier effects in output if they are consumed and contribute to economic growth if they are invested productively.

Pokharel (2004) identified Nepalese overseas worker sending foreign exchange to Nepal as the backbone of Nepalese economy. They bring with them not only many but also special skills, knowledge and exposure. With appropriate strategies and programs this resource plays an important role in rural transformation.

Turnbull (2006) examined how remittances impact the decision to invest in education on part of the household while attempting to account for migration. This study also considers the differential impact of remittance inflows on the distribution of education investment by gender.

Guzman (2006) used GLSS date and an intra-household bargaining framework to investigate the impact of gender of remittance recipients and sender on the patterns of expenditures. They find remittances within Ghana and internationally spend more on education, health, housing and durable consumer goods compared to female household heads who receive remittances or their male counterpart.

CBS (1995/96) carried out that Nepal living standards survey (NLSS) for the first time. The second round of NLSS was conducted in 2003/04. The NLSS-2010/11 (NLSS-III) is the third

round of the survey conducted by the CBS as a follow up of the previous two rounds. All the three survey followed the living standard measurement surveys followed the living standard measurement survey (LSMS) mythology developed and promoted by the World Bank.

Remittance recipients typically say that they invest the money received. Because money is tangible, they may simultaneously reduce their total investment many increase by less than the investment from remittance or may not increase at all Glytsos (2002) find that investment increases countries he analyzes. Similar results are shown by lean leadman and Piracha (2004) for Eastern European countries running 1990s.

Although these studies have discussed the increased importance of migration and remittance, there are limited studies that relate the migration-remittance process to welfare. Milligan (2009) investigated the impacts on child welfare and household consumption and found that the elasticity of consumption from remittance income is far lower than that of non-remittance income for all consumption categories considered. In addition, Lokshin, Bontch-Osmolovskim, and Glinskaya (2007, 2010) used cross- section data and a Full Information Maximum Likelihood (FIML) method with instrumental variables (i.e. proportion of migrants at ward/district level). They found that increased migration for work contributed about one-fifth of poverty reduction in Nepal during 1995-2004 but it had positive and insignificant impacts on inequality. We relax the assumptions in previous studies by controlling for household fixed effects while at the same time study the regional variation of the impact of remittances and the importance of the remittance source.

2.2. Empirical Analysis

The remittance-investment nexus is ambiguous in the literature. Some studies have argued that remittance have no impact on private investment levels. In fact before 1990, no positive correlation between remittances and economic development had been established. The prevailing view in the literature was that remittances were primarily spent on consumption goods and repayment of debts. As a result remittances were thought to have insignificant effects on economic growth. Rempel and Lobdell (1978) reported that remittances were primarily used for consumption purposes. Lipton (1980) estimates that 90 percent of remittances were spent on consumption expenditures. Massey, (1987) found that between 68 percent and 86 percent of remittances from Mexican immigrants to the United States were

spent on consumption goods. Carletto, (2004) reported that a meager one per cent of households used remittances on investment activities with the rest going to consumption activities. The author further argues that these low levels investment were contributed by poor rural infrastructure, and low public investment.

Mallick (2012) utilized an error correction model and the Dynamic Ordinary Least Squares procedure (DOLS) developed by Stock Watson (1998) to investigate the impact of remittances on private investment in India. The paper finds that remittances crowds out private investment in India with the majority of income including remittances going towards consumption expenditure. In other words, remittance inflows led to a decline in the rate of private investment. As a result, the author suggests that the government should formulate policy to encourage the allocation of remittances towards private investment.

Henry (2010) also established a similar result to Mallick (2012), finding that remittances crowd out domestic investment sub-Saharan Africa. The paper utilized a Generalized Method of Moments (GMM) estimation model to estimate the impacts of remittance inflows on domestic investment in sub-Saharan Africa. The author found that remittances negatively affect domestic investment in sub-Saharan Africa. A 10% rise in remittances from emigrant workers led to a 20.9 percent decrease in domestic investment in sub-Saharan Africa.

Current research particularly from Latin America and Asia suggested that households spend remittances on investment goods such as housing, education, and microenterprises. As such, these expenditures on investment goods promote both human and physical capital accumulation in developing economies.

Mishra (2005) that in his study report investigated the impact of remittances in 13 Caribbean countries found that a 1 percent increase in remittances contributed to a 0.6 percent increase in domestic investment. According to Rather (2003) remittance inflows compliment investment resources from other sources both domestic and foreign in sub-Saharan Africa.

Adams (2005) investigated the household expenditure patterns in rural and urban areas of Guatemala. The study used data from a survey in 2000 of 7,276 households and did a comparison of the share of investment and consumption on households budgets of remittance receiving and non-remittance receiving households. Their finding was in line with the permanent income hypothesis which suggests that households are likely to invest if they perceive their income to be transient or uncertain. In particular, households receiving

remittances were found utilize 58.1 percent of their remittance on education at the margin than households that did not receive remittances. This, according to the author underscores the way that households prefer to invest rather than spend their remittance earnings.

Cuecuecha (2010) using panel data for the period between 2000 and 2007 from the Indonesia Family Life Survey, analyzed the effects of remittances on consumption and investment. The study established three significant findings. First, by employing instrumental variables to control for endogeneity and selection bias, the paper finds that remittances have the capacity of alleviate poverty in Indonesia. Second, the study found that households receiving remittances spent more only on food-a consumption item- at the margin than would be the case without remittances. Third and most significant, the study found that households receiving remittances spent more on housing - investment goods- at the margin than would be the case without remittances. These findings, according to the authors, lend credence to the view that remittances have the capacity to increase human and capital investments levels in the recipient economies. Adams and Cuecuecha (2010) also established a similar result in Guatemala.

Yang (2005) investigated the same issue by examining whether exchange rates shocks affected expenditure patterns of remittances in Philippines during the Asian financial crisis of 1997. The paper used data from both before and after the crisis. This allowed the study to investigate the impact of both negative and positive exchange rate shocks on remittance expenditure. The study found that a one per cent increase in exchange rate contributed to a 0.4 per cent increase in remittance expenditure on education. Therefore, exchange rates shocks increase the expenditure of remittances on education. This increase in remittance expenditure on education, as argued earlier, helps to develop human capital and consequently expand the productive capacity of the economy.

Osili (2004) in a study on how migrants spend their income in Nigeria found that migrants are more likely to spend their income on investment than on consumption. Specifically, migrants with higher incomes tend to invest in housing. Remittance expenditure therefore is an important part of private investment in Nigeria.

Woodruff and Zenteno (2007) in a study on emigration from Mexico to the United States also found that remittance from migrants in the United States of America form a significant segment of capital investment in Mexico. The paper found that remittance from the United States to Mexico lead to between and 40 per cent increase in capital investment level in

Mexico. The remittances were, in particular, an important source of capital for small enterprises.

Cristian and Liviu-George (2008) constructed an econometric model to ascertain the impact of remittances on investment and consumption in Romania. The paper focused on the effects of remittances on consumption and investment at the macro-level. This was a unique departure from other studies which have mainly analyzed the impact of remittances on socio-economic variables at the household level. The results from the study showed that remittances contributed significantly more to investment than to consumption.

Griffith, (2008) used Dynamic Ordinary Least Squares (DOLS) model to analyze the impact of remittances on investment in Barbados in the period between 1970 and 2002. The results from the study suggest that remittances have a significant effect on investment both in the short run and in the long run. The paper also provides some evidence to show that the housing sector has benefitted immensely from Diaspora remittances. As a consequence of remittance inflows many wooden houses have been converted to concrete structures in Barbados. Further, the author argues that applications for savings bonds have increased since 1970 in Barbados suggesting that remittances have been used to invest in these bonds.

Balde (2010) employed Ordinary Least Squares (OLS) and instrumental variables estimation methods to investigate the macroeconomic impact of remittances on savings and investment in

Sub-Saharan Africa (SSA) specifically, the paper compared the effectiveness of remittances and foreign aid (official development assistance) in promoting savings and investment. The study found that remittances are more effective than foreign aid in promoting savings and investment in SSA. The coefficients on the remittances variable were found to be 6 to 7 times higher than those on the foreign aid variable.

Glytsos (2001) utilized a simple dynamic, simultaneous model to analyze the impact of remittance on investment, consumption and imports and their consequent impact on GDP growth for seven Mediterranean countries in the period between 1969 and 1993. Results from the study suggest that remittances have a positive impact on investment. Specifically, the paper found that remittances were positively correlated with investment in six of the seven countries used in the study.

Leon-Ledesma and Piracha (2004) found a similar result. The paper indirectly investigated the performance of employment in 11 transition economies in Central and East Europe through the impact of remittance on productivity growth and investment covering the period between 1990 and 1999. The results from the study indicated that remittances have a positive impact on employment and productivity through its effects on investment.

Odekunle (2013) investigated the link between remittances and fixed capital formation in Nigeria. The paper was particularly interested in establishing how a country's capacity to utilize remittances was influenced by financial sector development. The study used time series data between 1977 and 2010 and employed the Dynamic Ordinary Least Squares model to study the subject. This model allowed the study to control for endogeneity occasioned by the use of a lag in the independent variables. The study found a positive correlation between remittances and physical investment. Moreover, the relationship between remittances and financial depth was found to be positive and significant. This, according to the author, suggests that financial development compliments remittances in enhancing investment. Therefore, as a policy recommendation, the author argues that for Nigeria to benefit from remittances from emigrants, the government should focus on improving financial development in order to enhance the effect of remittances on capital formation.

Lucas (2005) in a review of empirical literature split the analysis of the impact of remittances into two: First, he discussed their effect on poverty and inequality and secondly, he investigated the remittance-investment and savings nexus. The author was able to identify a positive correlation between remittance and investment. Specifically, he pointed out that remittances may have accelerated the level of investment in Pakistan, India and Morocco.

Aitymbetov (2006) found that approximately 10 percent of remittances were used as some form of investment in Kyrgyzstan, and thus had a positive impact on the economy. The paper constructed a dynamic demand model to assess the macroeconomic implications of remittances in Kyrgyzstan. The model goes through consecutive phases where the impact of remittance on investment, consumption and imports respectively is analyzed. This culminates in the eventual regression of the impact of remittance on GDP growth in Kyrgyzstan. Remittances are found to produce a multiplier effect. A US\$ 100 increase in income is found to lead to a US\$ 230 increase in income. The multiplier effect is determined by the marginal propensity to consume and the marginal propensity to invest. Therefore, the results support

the hypothesis that remittances positively influence the economy through its impact on aggregate investment in the economy.

Calderon (2010) investigated whether investment could benefit from remittances if the government legislate a series of policy improvements. The study employs a regression model based on the simple accelerator model relating investment to output growth. The model is augmented with a series of variables meant to capture variables unique to the investment climate. Human capital is found to be complimentary to remittances in the process of capital accumulation. Remittances are found to increase with the level of high school enrollment (a proxy for human capital). Similarly, the effect of remittances on investment is found to be positively correlated with institutional quality and policy environment as proxied by a policy variable. However, remittances and financial depth were found to be inversely related suggesting that remittances and financial development are substitutes.

Ziesemer (2006) developed an open economy model to analyze the impact of remittance on economic growth through two channels: physical capital channel and the human capital channel. The paper estimated two variants of an open economy model for the two channels using the general method of moments with heteroscedasticity and autocorrelation correction. Data consisted of pooled data from four countries that received remittance in 2003. The study established the following results: First, remittances had the largest impact on savings in countries with low per capita income; Second, remittances was found to have a positive relationship with steady-state level of GDP; Third, human capital variables were found to have a positive correlation with GDP. The implication of these results, according to the author, is that remittances will increase growth not only through increase in investment but also through increase in literacy levels.

Paulson and Townsend (2000) suggested that entrepreneurs in many developing countries suffer from lack access to credit since many developing countries suffer from underdeveloped financial systems and therefore face liquidity constraints. In the absence of credit, entrepreneurs will not be able to pursue profitable opportunities. Remittance inflows can therefore alleviate such credit constraints in economies where there is limited access to credit. Dustmann and Kirchamp, (2001) argues that relaxation of credit constraints would lead to higher levels of investment and thus economic growth.

Giuliano and Arranz (2005) used a Generalized Method of Moments (GMM) approach to investigate whether remittances could bridge the gap caused by the lack of access to credit. In

particular, the paper examined the relationship between remittances and economic growth focusing on how the interaction between remittances and financial development can influence a country's capacity to utilize remittances as well as the effectiveness of remittances. Data comprised of cross-country data of 73 developing countries receiving remittances in the period between 1975 and 2002. The empirical results suggest that remittance can promote investment and thus economic growth in countries with underdeveloped financial markets.

Anupam (2009) compared the impact of remittance inflows and grants on capital formation and economic growth. Data consisted of four countries receiving remittances from emigrant guest workers in oil-rich Arab states. The study estimated investment, consumption and income equations using time series analysis and panel data methods. The impact of remittance on capital formation and of grants on capital formation was at found to be at variant. The results indicated no relationship between remittances and investment in all countries except Bangladesh. Grants on the other hand had a positive relationship with investment in Pakistan and Syria, a negative correlation with investment in Egypt and no effect in Bangladesh. Since both remittances and grants are transfers from abroad, a similar impact on capital formation was expected. The author postulates that the private characteristic of remittance explains this variance.

Empirical evidence suggests that financial institutions are crucial in enhancing growth. We build on this research and look specifically at investment and not growth per se but focus in particular on one stream of funds remittances. Most of the earlier research about remittances looks at growth and comes to somewhat different conclusions. Mundaca (2005) finds in a sample of selected Central America countries that financial development tends to increase the responsiveness of growth to remittances. However, the works of Giuliano and Ruiz-Arranz (2009) and Fayissa and Nsiah (2008) suggest that remittances boost growth in countries with an underdeveloped financial sector. In other words, in countries where the financial sector is unable to extend credit to the private sector, remittance receipts are a vital source of capital relative to financially developed societies. These conflicting empirical findings invite further research of these issues.

The existing literature also points out that nonfinancial institutions affect the development of the financial markets (Levine, 1997; Roe & Siegel, 2008) and the economy as a whole (Rodrik, 2004; Acemoglu 2003; and Acemoglu 2006). It has been shown that developing countries characterized by sound general institutional frameworks attract comparatively more

private capital in the form of FDI. It is not farfetched to argue that migrant transfers meant for investment purposes could be severely limited in the presence of acute political instability, corruption and go-slow bureaucracies. In a recent paper, Catrinescu, Leon-Ledesma, Piracha and Quillin (2009) examine the premise that the remittances-growth relation is conditioned on the non-financial institutional setting. They provide empirical evidence which suggests that non-financial institutions such as law and order, government stability, democratic accountability etc, affect the growth-effect of remittances positively.

2.3. Research Gap

Empirical evidence on the impact of international remittances on investment is mixed. While some studies argue that remittances have a negative or no impact on investment, others contend the contrary view that remittances contribute positively to investment. Very few of these studies have analyzed the relationship in Nepal. This is because a huge portion of remittances has been flowing to Latin America and Asia with Africa only getting a significant chunk of the pie recently. Those studies that investigated the subject in Africa have done so primarily from a cross country perspective where the behavioral pattern of remittances is analyzed using data from several countries. The result is that country specific dynamics that affect the remittance-investment nexus are ignored or assumed away. The mixed results obtained by empirical literature also raise the question of whether endogeneity is a problem in the literature. Many of the studies assumed remittances to be an exogenous variable and investment to be endogenous thus ignoring the problem of causality. Theoretically, bidirectional causality between remittances and investment is possible.

The researcher contributes to the literature by examining the role of financial and institutional development in the remittances and its relation to investment. Our empirical results suggest that remittance inflows are important in relaxing the financial constraints, particularly under the conditions of crippling institutions and inadequate financial intermediation. The researcher finds that remittance inflows are a lifeline to investment where the very institutions that give life to capital are non-existent.

Given international migration and remittances significantly affect the economy e policy makers and political leaders need to better understand their nature, magnitudes, and impact on the economy. The main objectives of this tasks are, therefore, to strengthen the

information base in this area and recommend policy measures that maximize the positive impact of migration and remittances while minimizing their downside risks.

Some studies claim that migrants spend most of their remittances on consumption goods such as foods and consumer goods and those patterns of expenditure to have little positive development effect on local economies. However other studies find that migrants spend their remittance earning on investment like education, housing and business and that these patterns of expenditure help to build human and physical capital .These findings suggest that remittance can help to raise the level of investment in human and physical capital in remittance receiving countries.

Thus from the beginning from the present studies, this study intends to examine remittance impacts on investment from case study Salari VDC of Okhaldhunga which is not done by any person.

CHAPTER III

DATA AND METHODOLOGY

This study comprises analytical as well as descriptive type. In the chapter of methodology we should include the different methods of our research work, likes as a research design nature of data, source of data, techniques of data collection, universe, sampling etc.

3.1. Research Design

This study is descriptive as well as exploratory and enables to present a clear picture of the phenomena under investigation. This design helps to analyze the present situation of remittance impacts on investment in Salleri VDC of Okhaldhunga district.

This study helps to us to analyze social economic condition, consumption pattern , investment situation, working condition abroad and major problem associated with them.

3.2 Nature and Sources of Data

This study report is based in descriptive as well as analytical nature. This study is based on primary sources of information (interview/observation) mainly derived from field survey with the help of questionnaire. Some data were derived from secondary sources.

3.2.1 Secondary Data Collection

The secondary data were obtained from published and unpublished sources by the various governmental and semi-governmental organization. Other sources were different literatures on international migration, research works, journals, newspapers and research articles particularly on Nepal and on international labor migration as well as published and unpublished reports of NPC, DDC and VDC of the study area.

3.2.2 Primary Data Collection

Primary data had been collected through direct interview with help of semi-structured, questionnaire prepared this study. The primary data require for the thesis was information regarding the impact of remittance, education skill investment, employment.

3.3 Sampling Design

The Universe of the study has the household of all wards of Salleri VDC of Okhaldhunga district. For the sample, random sampling is used and sample sized were 15 percent household (Remittance recipient) and also 15 percent household (Remittance Non recipient) of the Universe.

In this study, all together, 68 household were selected out of 443 household Salleri VDC of Okhaldhunga district which is 15 percent remittance recipients and 15 percent remittance non recipient households from each ward are selected by using simple random sampling for the study. At last 15 percent result shows 52 household remittances recipients and 16 households non-remittance recipients household have been chosen for the study.

Table 3.1 Sampling Data Collection

Ward No.	Total No. of household	Total No. of remittance recipient household	15 % of total remittance recipient household	Total No. of non-remittance recipient household	15 % of non-remittance recipient household
1.	53	43	6	10	2
2.	58	45	7	13	2
3.	59	48	7	11	2
4.	54	42	6	12	2
5.	64	51	8	13	2
6.	46	38	6	8	1
7.	56	45	7	11	2
8.	25	15	2	10	2
9.	28	21	3	7	1
Total	443	348	52	95	16

Source: **Field Survey, 2014.**

3.4 Data Collection

Data for this study is collected from the field survey. This study is mainly based on primary data. The data is used to analyze the economic, social and environmental remittance impacts

on investment on Salleri VDC of Okhaldhunga district. The study is conducted through the formal method of interview, observation, structured questionnaire.

3.4.1 Interview

It is one of the highly useable methods of obtaining information from the respondents. For the collection of data through the interview, semi-structural questionnaires were prepared in which at least 3 options are given for each questions. Questionnaires were divided into some patterns, such as personal information, family background, working condition earning and expenditure, attitudes towards work, investment, saving etc.

This interview deals with more information concerning the remittances, migration process and procedure, use of remittance on investment sectors causes as well as their opinion on migration were included.

3.4.2 Observation

Observation is a tool of data collection. It is one of the basic technique of data collection to collect information that are not possible from interview. Observation of physical and cultural environment especially details of the respondents house structure, furnishing, clothes were observed and details recorded in the interview. Answer of respondents from Questionnaires were collected and compared with information obtained from observation.

3.4.3 Focus Group Discussion

It is the discussion restricted to the given topics. To acquire detail information, focus group discussions were conducted with the spouse of emigrants, in which discussion was made unifying various classes of people. In the discussion, the major subjects were about impression of labor migration, the sources of livelihood, the impression of labor migration over their family members. Similarly, their condition in the community and family support after foreign employment as well as the use of remittance, impact of remittance on their household economy and other topics were discussed with four groups of remittance recipients and two groups of remittance non-recipients.

3.4.4 Questionnaire Preparation

A Questionnaire was designed for this study. There was a conversation among the concerned individuals. During the discussion session with the experts, basically personal experiences were noted down.

3.5 Data Analysis and Presentation

Different statistical tools are used for data analysis like average, percentage, ratio etc. Descriptive method is applied for qualitative data. And the data is presented by using simple methods likes as bar diagrams, pie charts, tables, charts, and explanation of qualitative information in an organized away.

The data collected from field survey were re-grouped and re-classified to analyze. When the data were analyzed by constructing table necessary. The quantitative data are presented by simple mathematical tools like percentage, frequencies, ratio and average to examine the objectives set above. Defining the system of preparing the data, first of all the explanation and characteristic of a data method should be detailed. The data are submitted emphasizing on the Questionnaires asked to every household in interview. Concerning the qualitative data information has been collected through focus group discussion and observation in the study systematically and logically.

3.5.1 Simple Regression Model

The use of remittance impact on investment has been analyzed taking household as a unit of analysis. We assumed a child implies person up to age 15 years and adults means as 16 years and above 16 years.

To predict the use of remittance impact on investment the following regression equation has been developed.

$$\text{Investment: } Y = \beta_1 + \beta_2 X + \epsilon \dots \dots (1)$$

$$\text{Remittance}^{\text{in}} = \text{Remittance investment}$$

Where, $\beta_1 =$

$\beta_2 =$

ϵ = error term

The coefficient in equation 1 and 2 are estimated using ordinary least square method. The computation is done with the help of SPSS programmed.

The R^2 ranges from 0 to 1. If the value of R^2 approaches to 1, the regression plane. This estimated is a good fit and if it approaches to 0, it implies the bad fit. It is because increasing R^2 means explaining more of the total variations by regression plane.

And the value of numerator increase with the addition of new explanatory variable it finally affects the precision of results and decision made on the base of R^2 . Hence, the reliability of R^2 declines. So the R^2 is necessary .

Table 3.2 Identification of the variables

	Variables	Nature
Dependent	Investment	Continuous
Independent	Remittance income	Continuous

CHAPTER IV

4. NATURE OF WORKS AND REMITTANCE INCOME

In Nepal most of total migrated persons are found to go to India for foreign employment. After sometime, No. of people use to go to India for different types of works mainly because of geographical proximity and not availability of job. Very few people used to choose other country as their destination for foreign employment. In present time, in different countries except India people having different age and educational level are found to go for foreign employment. Most of people from Nepal migrate to the Gulf countries like Qatar, Saudi Arab, Malaysia, UAE, etc. most are working unskilled labor, some are semi-skilled but very few are fully skilled. Such characteristic can be found in this study area also (Adhikari,2012).

4.1 Age of the Migrants

Table 4:1 Age-category and Migrated Person

Age-category	No. of migrated person	Percent	Average earning last year in NRs.
15-29	37	54.41	216,000
30-44	25	36.76	252,000
45 above	6	8.83	228,000
Total	68	100	696,000

Note: The number of migrated persons 68 indicated the person from that the 52 household who receipts remittance.

Source: **Field Survey, 2014.**

The table 4.1 shows that the age group has been divided into three groups. Below 15 years no one has gone to abroad for foreign employment. In 15-29 age group highest percentage of migrated persons falls. In 45 above group age less than other groups because this age is age of retirement. Average earning of 32-44 age group is the highest of all others groups. Mainly this reason of fact is that large number of people of these age groups have involved in foreign employment except India.

4.2 Types of Works

Nowadays, so many of people from our country has been working in others countries as unskilled and skilled workers. We divided work into seven groups (categories). These are shown in below.

Table 4.2 Nature of Works and Percentage

S.N	Nature of works	Frequency	Percent
1	Construction	7	10.30
2	Hotel	14	20.58
3	Security guard	13	19.11
4	Driving	3	4.41
5	Salesman	7	10.30
6	Manufacture	21	30.88
7	Others	3	4.41
	Total	68	100.00

Sources: **Field Survey, 2014.**

The table 4.2 shows that many people have been working in manufacture as a labour 30.88 percent, hotel, security guard ,construction, salesman ,driving and others are found to work in 20.58, 19.11, 10.3, 10.3,4.41 and 4.41 percent respectively. Very few people have been working in driving and others post.

4.3 Destination and Nature of Work

Table 4.3 Destination Nature of Work

Country Nature of work	India	Qatar	Malaysia	UAE	KSA	Macau	S.Korea	Others
construction		3	2		2			
Hotel	2		3	5	1			3
Security			4	5		4		
Driving					2			1
Salesman			2	3				2
Manufacture		1	4	2	2		7	5
Others	1	1				1		
Total	3	5	15	15	7	5	7	11
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)

Source: **Field Survey 2014.**

Observation of the trend of Nepalese seeking jobs abroad, the majority of them i.e. 15 (22.05%) has gone to Malaysia and UAE, followed by KSA and S.korea 7 (10.29%). The third destination is Qatar and Macau with 5 (7.35%). To others 11 (16.17%) Nepalese have gone to others countries for employment.

The table 4.3 shows that 42.85 percent of total number of people in Qatar who are working in the construction of building as low paid unskilled labour force in fact does not produce high volume of remittance. In India 33.33%, in Qatar 20% and Macau also 20% are as skilled worker particularly in managerial post. Moreover, 15 of migrated person in UAE and also similarly in Malaysia as security, manufacture, and hotel who are able to earn highly volume of remittance. In manufacturing, 100% people are work in S. Korea. Total number of

migrated people in Macau 80% is involved in security guards. In others countries such as KSA, Macau, Korea, Kuwait, etc in hotel and as security guard,20.58 percent and 19.11 percent respectively.

4.4 Migrants by Age and Sector of Works

Table 4.4 Age and Sector of Work.

Age	15-29 years	30-44 years	45 above	Total
Sector of works				
Construction	4 (57.14%)	2 (28.57%)	1 (14.28%)	7 (100.00%)
Hotel	11(78.57%)	3 (21.43%)		14 (100.00%)
Security	4 (30.76%)	6 (46.15%)	3 (23.07%)	13 (100.00%)
Driving	2 (66.66%)	1 (33.33%)		3 (100.00%)
Salesman	5 (71.43%)	2 (28.57%)		7 (100.00%)
Manufacture	11 (52.38%)	8 (38.09%)	2 (9.52%)	21 (100.00%)
Others	2 (66.66%)	1 (33.33%)		3 (100.00%)

Sources: **Field Survey, 2014.**

This survey finds that in construction, 57.14% of migrated persons with 15-29 ages. In 15-29 age group highest percentage of migrated person falls. This figure is similar to the findings of NLSS2003/04 and 2013/14 On the other hand ,person falling in 44-55age group is less than other category because this age is age of retirement. Average earning of 15-29 age group is the highest of all others group. Main cause of this fact is that huge number of people of this age groups have involved in foreign employment except India.

Above table illustrates that most of people have worked at hotel and manufacture. Most of people from our country has been working in others countries as unskilled and semi skilled workers. In the same way ,it is found from this study that many people have been working in manufacture as a labor. Very few people have been working in managerial post.

4.5 Status of Remittance Income

Table 4.5 Remittance Income

Total remittance income last year in Rs.	Number of household	Percent
Less than 1 lakh	3	5.77
1-2lakhs	26	50.00
2-3lakhs	12	23.08
More than 3 lakhs	11	21.15
Total	52	100.00

Sources: **Field Survey, 2014.**

Most of the household 50% receive the amount between 1-2 lakhs. Other hand lower number household 5.77% gets below 1 lakhs in which remittance holder migrate from India fall. On the other hand, 21.15 percent of households in the study area are receiving above 3 lakhs in last year which category household with more than one migrated members fall.

4.6 Country and Average Earning

Table 4.6 Country and Average Earning

Country	Member percent of migrated persons	Average earning in last year NRs.
India	3	84,000
Qatar	5	228,000
Malaysia	15	276,000
Macau	5	1,440,000
KSA	7	204,000
UAE	15	264,000
S.Korea	7	960,000
Others	11	180,000

Sources: **Field Survey, 2014.**

The table 4.6 demonstrates the highest percent of total number of migrated person in study area , 22.05 percent has been found to go to UAE and their average earning in the last year is NRs 264,000,which figure is the third largest. The largest average earning in the last year is captured by 7.35 percent migrated person in Macau and their average earning in the last year is NRs 1,440,000 (39.69). On the other hand, in total migrated person those who are in India occupy 4.41 percentages but their average earning in the last year is the lowest, in figure NRs 84,000. Total number of migrated person in a study area 10.29 percent has been found to go to S. Korea and their average earning in the last year is NRs 960,000 (26.4%) , which figure is the second largest.

4.7 Remittance as Percent of Total Income and Number of Households

Table 4.7 Remittance as Percent of Income and Households

Remittance as percent of total income	Frequency of household	Percent
Below 60	3	5.77
60-70	9	17.30
70-80	13	25.00
80-90	19	36.54
90-100	8	15.38
Total	52	100.00

Sources: **Field Survey, 2014.**

The table 4.7 shows the different level of contribution to the total income of households. Looking of data , percentage of households with higher percentage of contribution of remittance to the total income is higher 36.54 percent households have 80-90 contribution of remittance to their total income. Similarly 70-80 percent contribution of remittance to income to total income appears in 25 percent households. Table shows only 5.77 percent households have below 60 percent contribution of remittance to their total income. This shows that survey area receives heavy remittance inflows which dominated every economy activities of this area.

4.8 Average Cost of Migration

Many Nepalese have been living in different countries. In the name of better opportunities in various fields which is opportunities in various fields which is the major sources of income of Nepalese economy, remittance income is one of knowledge, culture etc. they developed and experienced have also been in country.

Table No.4.8 Average Cost of Foreign Employment

Country	Average monetary cost NRs.
Malaysia	130,000
Qatar	85,300
KSA	81,200
UAE	100,000
S.Korea	350,000
Macau	575,000
Total	1,321,500

Sources: **Field Survey, 2014.**

Table 4.8 shows that average monetary cost of going Malaysia is Rs130,000 and Qatar NRs 853,000. Similarly in KSA is NRs 81,200 and in UAE NRs100,000. Similarly S. Korea is NRs 350,000 and Macau is NRs 575,000 including air ticket and visa charges. These are the monetary cost of major six countries, besides there are other non monetary cost which cannot analyzed. However, these cost are especially unskilled manpower who go to abroad without training in related fields have been affected much .Not only this is due to the trend of going abroad many families losing their members in abroad. Average more than 200 Nepali labor die in each month in broad , lands in labor sending village has foreign of employment do not involve in their works according to their skill in the country. This type of trend of them remains passive which is also one of the non monetary costs of foreign employment. Similarly, foreign employees are exploitation, textual harassment physical and mental torture, non provision of salaries and lack of medical treatment are all problem of which a majority of labor have failed in abroad. So, it can be concluded that, these are also social cost or non monetary cost of foreign employment.

CHAPTER V

5.1 IMPACT OF REMITTANCE ON INVESTMENT

In the current situation Nepal gets high amount of remittance income, it is found to use in unproductive sectors such as consumption, real-estate, loan repayment and purchases of luxurious goods. However, production and investment in tradable sector, educational sector are also found to increase. Remittance recipients who are educated, they seem curious to spend high amount of remittance on education of their children who are less educated they invest on real-estate and luxurious goods. Some educated persons have started sending their children/adults to the private schools, colleges which are supposed to delivered qualitative education. Remittance also impact on health sectors, real-estate, financial sectors, production sectors, consumption sectors, household sectors. Remittances help to alive cottage industries. Remittances help to established small shop and micro-industry, also investment in micro hydro power.

5.1 Use of Remittance Income

Table 5.1: Use of Remittance Income

Sector	Frequency household	Percentage
Household consumption	20	38.46
Loan repayment	7	13.46
Real-estate	6	11.54
Education	8	15.38
Business	4	7.69
Agriculture	2	3.85
Pastoral Farming	3	5.77
Transport	2	3.85
Total	52	100.00

Sources: **Field Survey, 2014.**

The table 5.1 shows that 38.46 percent of households are found to use highest amount of total remittance income on household consumption. Similarly 15.35 percent of total remittance income spends on education, 13.46 percent on loan repayment, 11.54 percent on real-estate, and 7.69 percent on business, 5.77 percent on pastoral farming, 3.85 percent of agriculture and 3.85 percent on transportation sectors respectively. This kind of the pattern of expenditure would not contribute to the sustainable development.

5.2 Remittance Impact on Household Consumption

The Table 5.2 Share of Household Expenditure.

Number of Households	Types of Household	
	Remittances holder 52 (NRs)	Non-remittances holder 16 (NRs)
Food	3,744,000	1,358,000
Clothes	3,380,000	686,000
Luxurious goods	6,760,000	910,000
Total Households Expenditure	13,884,000	2,954,000
Expenditure per Households	267,000	184,625

Sources: **Field Survey, 2014.**

The table 5.2 shows that remittance holders spend NRs.13,884,000 on food ,clothes and luxurious goods .However ,NRs 2,954,000 spend on food ,clothes and luxurious goods by non remittance holders because non remittance holders consists of teacher , farmer and others. Remittance holder tends to spend higher amount of their income on luxurious goods but non remittance holder tend to spend their income on the primary goods.

Thus, findings of this study shows that there is remarkable different in expenditure per household on consumption between remittance holder and non remittance holders.

5.3 The Impact of Remittance on Loan Repayment

Table 5.3 The Impact of Remittance on Loan Repayment

Types of loan	Amount	Percent	Payment Time	Total payment
To Abroad	130,000	36	One year	1,768,000
To health care	65,000	36	One year	88,400
To food/others	150,000	36	One year	204,000

Sources: **Field Survey, 2014.**

The table 5.3 shows that ,higher amount of remittance spends on loan repayment sectors like as abroad, health care and foods and others. Remittance holders spend their big volume of remittance on foods or others loan repayment .They take loan for abroad, health care from money lender or financial institutions.

5.4 Remittance Investment on Real Estate

Table 5.4 Remittance Investment on Real Estate

Types of Real Estate	Remittance Receiver		Non-Remittance Receiver	
	Investment		Investment	
	Amount	Percent	Amount	Percent
Land	150,000	28.30	500,000	35.72
House/Building	3,800,000	71.70	900,000	64.28
Total	5,300,000	100.00	1,400,000	100.00

Sources: **Field Survey, 2014.**

Table 5.4 shows that , 71.7 percent remittance invest on house or building item from remittance holders. which is higher than non remittance holders which is on 64.28 percent. 28.3 percent remittance invest on land item from remittance holders .Other things are remaining constant, this may be positive result of remittance flows.

5.5 Remittance Investment on Health Sector

Health sector cover the premium of insurance, Health education, Treatment etc.

Table 5.5 Remittance Investment on Health Sector

Health Sector	Remittance Receiver	Non-Remittance Receiver
Premium Insurance	100,000-500,000	
Saving for treatment	70,000-100,000	10,000-20,000
Investment on Health Education	10,000-50,000	5,000-20,000
Emergency Fund	20,000-50,000	
Total	190,000-700,000	15,000-40,000

Sources: **Field Survey, 2014.**

The table 5.5 demonstrates the highest volume of remittance invest premium insurance . Remittance holders have done minimum 1 lakh to 5 lakhs insurance. The second largest

volume of remittance invest on healthcare (saving for treatment). Similarly, remittance holders and non remittance holders invest on Health education . Remittance holders also invest on emergency fund.

5.6 The Impact of Remittance on Education

Table: 5.6 The Impact of Remittance on Education

	Types of Households	
	Remittance Holder	Non- Remittance Holder
Number of Household	52	16
Total Expenditure	12,714,000	3,024,000
Educational Expenditure	1,950,000	70,000
Expenditure Per Household Sector	207,000	184,625
Share of Education Expenditure on Total Expenditure	15.33%	2.31 %

Sources: **Field Survey, 2014.**

The table 5.6 demonstrates that remittance holder spend 15.33 percent income out of their total expenditure on education of their children. However, 2.31 percent income is spend out of total expenditure on education by non remittance holders because non remittance holders consists of teachers, farmers and businessmen.

The findings of this study show that other things remaining constants, with the increases of level of remittance income of households head sending of their children to private school. Remittance holders ready to spend more money for quality education. But non remittance holders sufficient of money, so they sending their children to public school.

5.7 Remittance Impact on Business Sectors

Table 5.7 Remittance Impact on Business Sectors

Business sectors	Types of Households			
	Remittance Holders	No. of shops	Non-remittance Holders	No. of shops
Tea-stall	150,000 per	4	38,000 per	1
Fancy shop	1,000,000 per	3		
Meat shop	200,000 per	1		
Greenery shop	160,000 per	2		
Fruit shop	190,000 per	1		
Transport	25,000,000 per	3		
Electronic Shop	800,000 per	1	250,000 per	1

Sources: **Field Survey, 2014.**

The table 5.7 shows that remittance holder invest NRs.150,000 on tea stall but non remittance invest NRs.38,000 on the tea stall. Similarly remittance holders invest on fancy shop, transportation, and electric shop. But non remittance holders can not establish self employees programmers' because they have very low income.

The result of this survey shows that there is remarkable different between remittance holder and non remittance holders. In the study area, there remittance holders established 4 tea stall,3 fancy,2 greenary shop,1 meat shop,1 fruit shop and purchased transportation (motorbike,van).This facts reveals that other things remaining constant, there is positive impact of level of business sectors.

5.8 The Impact of Remittance on Agriculture Sectors

Table 5.8 The Impact Remittance on Agriculture Sectors

Agriculture Sector	Remittance Holders	Non-remittance Holders
Seeds	15,000	5,000
Fertilizer	35,000	12,000
Labour charge(wage)	60,000	17,000
Cash crops	38,000	3,000
Food crops	12,000	5,000

Sources: **Field Survey, 2014.**

Table 5.8 shows that, NRs 38,000 spend on the cash crops from remittance holders which is higher than the non remittance holders. Remittance holders pay for labour wage NRs 60,000 in year but non remittance holders .Non remittance holders pay a few amount only .Similarly remittance holders pay for seeds, fertilizers, foods crops ,etc ,but non remittance holders also pay a few amount only. Other things remaining constant, this figure shows that positive effect of remittance inflows.

5.9 Remittance Impacts on Pastoral Farming

Table 5.9 Remittance Impacts on Pastoral Farming

Pastoral Farming	Types of Households			
	Remittance Holders	No. of Animals	Non Remittance Holders	No. of Animals
Buffaloes	80,000	2	40,000	1
Cows	45,000	3	15,000	1
Goats	100,000	4-7	50,000	3-6
Pigs	40,000	2-5	12,000	1-2
Sheep	20,000	2-3		

Sources: **Field Survey, 2014.**

The table 5.9 illustrates that remittance holders invest on pastoral farming more than non remittance holders. Remittance holders have more buffaloes, cows, goats, pigs, sheep etc but

non remittance holders have a few animal. This survey reveals that other things remaining constants there is positive impact of pastoral farming.

5.10 The Impact of Remittance on Cottage Industries

Table 5.10 Remittance Impact on Cottage Industries

Cottage Industries	Remittance Holder	Non-Remittance Holder
Loom Machine(Charkha)		15,000
Furniture	700,000	
Metalwork	1,455,000	
Bamboo work	170,000	

Sources: **Field Survey, 2014.**

The table 5.10 shows that, the impact of remittance on cottage industries .In the study area, remittance holders established one furniture company ,one metalwork company, bamboo workshop, but non remittance holders invest on loom machine(charkha) only. So many of remittance holders use their remittance income on unproductive sectors like real estate , household ,consumption and loan repayment.

Obviously, this is the true fact on the sense that, this kind of pattern of investment would contribute to the sustainable development of the economy.

CHAPTER VI

TREND OF REMITTANCE

Abroad employment has become of vital importance for Nepal. As per the information available by Foreign Employment Department a total of 1,964,383 workers have gone to different countries for foreign employment during the first eight month of the fiscal year 2010/11. According to the FED a total of 3,000,000 workers have gone to abroad for employment during the fiscal year 2013/14. Nepal received remittances amounting to US\$ 1.5 billion from these migrant workers.

The study area's flows of remittance and flows of migrants can explain with the help of following tables and figures.

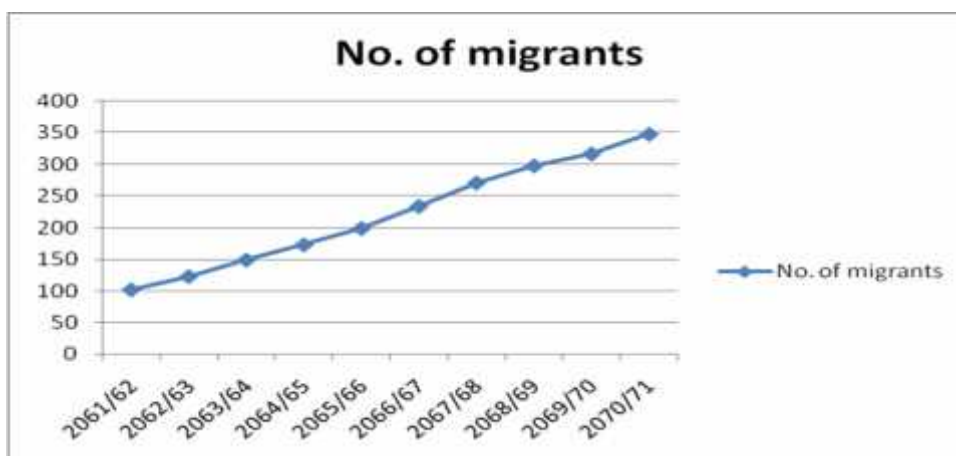
Fiscal year 2061/62, 102 people migrated from Salleri VDC to foreign employment. Most of people from Nepal migrate to the Gulf countries like Qatar, Dubai, Saudi Arabia, Malaysia etc.

Table 6.1 No.of Migrants

Years	No. of Migrants
2061/62	102
2062/63	123
2063/64	149
2064/65	173
2065/66	199
2066/67	234
2067/68	271
2068/69	298
2069/70	317
2070/71	348

Sources: **Field Survey, 2014.**

Figure 6.1. No. of Migrants



Sources: **Based on Table 6.1.**

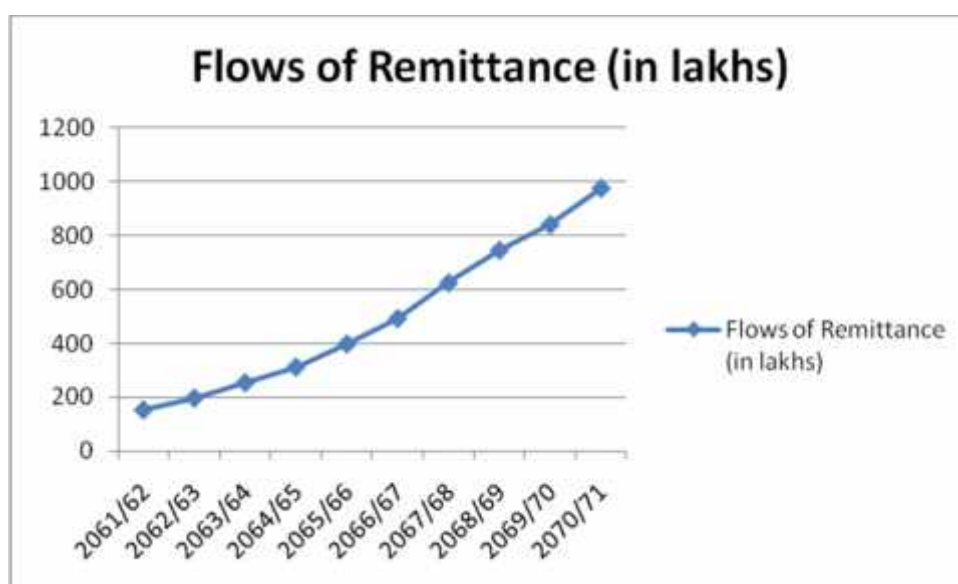
The above figure, number of migrants measured on the Y-axis and years shown on the X-axis. According to the fiscal year 2061/62 to 2070/71, from the study area's people, the migration rate is increasing upwards. The upward-sloping curve shows the number of migrants of Salleri VDC of Okhaldhunga.

Table 6.2 Flows of Remittance

Years	Flows of Remittance (in lakhs)
2061/62	153
2062/63	197
2063/64	254
2064/65	312
2065/66	398
2066/67	492
2067/68	624
2068/69	745
2069/70	840
2070/71	975

Sources: **Field Survey, 2014.**

Figure 6.2 Flows of Remittance



Sources: **Based on Table 6.2.**

The above figure shows that Salleri VDC of Okhaldhunga's flows of remittance. The figure and table illustrate that economic years 2061/62 to 2070/71, inflows of remittance increasingly upwards. The flows of remittance trend is going upward.

Paying particular attention to the role remittances play in developing economies, it has been widely acknowledged that they have the potential to promote economic development by creating investment opportunities, as well as assisting in the human development of migrant families and their wider communities at home. Remittances represent the second-largest source of migrant household income after labour income, the bulk of remittances is channeled to housing and consumption expenditure, rather than into productive investment. Such patterns of remittance usage, however, are neither new nor particularly unique to Nepal. Existing literature on the topic tends to portray remittances being mainly spent on everyday consumption items. Carling (2005) notes that generally, only a small proportion of remittances is used to set up small businesses, improved agricultural practices or other forms of productive investment. Carling points out that this is well-understood, creating a degree of disillusionment over the potential developmental impact of remittances among researchers and policymakers from as far back as the 1970s and 1980s.

Nevertheless, it is important to mention that the reasons for the lack of remittances being directed to productive investment in Nepal have, been under-researched. While there is a

growing body of literature on various aspects of Nepalese migration, the identification and overview of factors that determine decisions regarding the usage of remittances remain relatively underexplored. One of the reasons for this is that investigating the usage of remittances is challenging, both conceptually and methodologically. Furthermore, the lack of reliable and accurate statistics on the number of Nepalese migrants make it difficult to make strong reliable quantitative or qualitative analyses. In order to better understand the rationale behind the current pattern of remittance spending by the Nepalese household. As Carling (2005) points out, factors including migrants' characteristics, the characteristics of their country of employment (destination countries) and the characteristics of their country of origin (Nepal), all have a bearing on migrants' propensity to remit and invest. Similarly, the characteristics and decision-making structure of the households left behind play a significant role in determining the patterns of remittance spending.

6.1 Poverty Impact of Remittances

In Nepal's case, the impact of remittances on poverty has been positive as revealed by the Nepal Living Standard Survey (2013/14). Which shows the poverty level, defined from 42 percent in 1995/96 to 25 percent in 2013/14. Other studies have also supported the government's finding on the significance of remittances.

In case of Salleri VDC studies on the poverty impact of remittances have demonstrated that remittances make a vital contribution to reducing poverty and vulnerability in most household and communities.

6.2 Empirical Analysis of Regression

Investment $X=11466.749$ 0.110 remittance

($t=2.329$)

($t=11.63$)

$R^2=0.718$

$R^2=0.712$

$F=124.616$

This linear equation shows the impact of remittance on investment as R^2 is high. F and t value also statistically significant. If remittance income increases by NRs 1, investment increases by 0.11 rupees.

CHAPTER VII

SUMMARY, CONCLUSION AND RECOMENDATIONS

7.1 Summary

The research studies the uses of remittance on investment of Salleri VDC of Okhaldhunga. Remittance flows of household level and share of remittance income as percentage of total incomes. Contribution of remittance on investment at so many of sectors have been shown .Besides these dropout ratio is also shown. More over OLS regressions have been run.

Looking at ten years remittance ratio of Salleri VDC. Remittance plays a vital role in the Salleri VDC's economy, most of the remittance income is used in the unproductive field like house building, land purchasing, purchasing of luxurious goods and consumption etc. Therefore remittance income may not contribute to the long term development of the county.

The study focuses on the contribution of remittance for Nepalese economic development. In these days the remittance income is using in the advantage of the migrated people and their family only. It the remittances are invested in the productive sectors like industries, development activities etc., and then only the effect of that remittance income can be felt by the other citizens of the Nepal.

7.2 Conclusion

The role of remittances in the lives of so many families living in the global South/developing countries is clearly dominant. The policy implications are also extremely relevant. Opportunities include investing in small or large financial institutions to private businesses or public services or teaming up to provide financial education to remittance recipients. Overall the policy effort must aim at modernizing the productive base of local economies while leveraging resources from migrant foreign savings. This means linking investment opportunities, savings creation, local and central government enabling environments, and increased risk propensity among local, national, and transnational entrepreneurs.

This issue is particularly important because at times the discussion of the development impact of remittances is often obscured by inaccurate assumptions. For example, a few argue that remittances need a “productive use” because consumption expenditure is detrimental to growth. Yet there is no metric by which to measure what proportion of personal income

should be productive. Moreover, neither would show that remittance recipients have a higher propensity to consume. This latter issue is in fact the opposite: remittance recipients save and invest more and have more bank accounts than non-recipients.

The social and productive base of an economy defines the ways in which remittances will effectively function. The extent to which such structure of the economy absorbs those remittances is the major policy issue for development practitioners. Thus policy evaluation should focus on the productive forces in an economy, their efficiency, modernization, and diversification/concentration levels across economic sectors; about how entrepreneurship operates, what technology tools exist or are missing, and what is the extent to which governments provide an enabling environment to motivate an interaction between investment and production.

If an economy is unable to produce in a competitive context, its labor force will be depressed and eventually a portion will migrate to take care of their families. But even once they are away and send money, the families may only be able to do so much with that money in so far as the local economy provides an effective supply to the demand of services and products.

Consumers have a demand of a range of commodities and services (economic and financial). If the productive base of the local economy cannot provide for that demand, imports of goods will then ensue. None of this is a situation created by remittances, but rather by the structure of the local economy, which is also connected to the global context.

The development challenge for practitioners consists in creating an enabling environment by which remittances can have a transformative role in a local economy. Practitioners must identify and implement policies that enable a leveraging effect of remittances to positively impact their absorption in the local economy and thus promote development, without telling migrants and their families what to do with their money.

7.3 Recommendations

The following sets of recommendations are made in light of the findings from this study:

- 1) To improve investment, the Government of Nepal needs to have specific programmes in different migrants community to provide business and investment advice to migrant families and the migrants themselves. Moreover, awareness-raising campaigns promoting these programmes need to actively reach migrant households within the different governorates.

2) As the study revealed, migrants spend a considerable amount of time preparing for their travel abroad, including getting in order all the essential documents. Therefore, information on formal channels for sending remittances and ways to invest them could be disseminated through the government offices that potential migrants are required to visit to arrange for their travel papers, passports, visas, etc. Pre-departure training of the migrants could also include information about how to securely send remittances and how to direct them towards productive and profitable business opportunities in Nepal. As the study showed, respondents from different governorates had different worries and concerns regarding investing in their respective governorates. Hence, one-size-fits-all approaches will not be as effective. Policymakers need to design programmes addressing the specific concerns of particular migrant communities .

3) As there are no financial products that explicitly target Nepalese emigrants, banking sectors need to be encouraged to start packages targeting emigrants.

4) The Government of Nepal needs to devise policies that will work as incentives for investing in the different governorates of the country. The policies and programmes would be more effective if they are decentralized and take into consideration the particular conditions of each particular governorate.

6) While the study found some differences between governorates in terms of destination countries and other demographic features, the large bulk of Nepalese emigrants are living and working in Malaysia and KSA.

7) Many respondents of this study described the investment climate in Nepal as unsafe and insecure. A common factor is a lack of trust in government programmes and policies, as well as prevailing market conditions such as lack of competition.

8) Most people are found to go in the construction of building and security guard as unskilled labour but their earning on average is very low . so the government should make any kind of skill such as driving, cook, plumber, carpenter and many more compulsory for all those who want to go abroad and government should establish such vocational institutes where in low free people free from grass root level can be skillful. This results in high volume of remittance.

9) Day by day trend of migration to abroad for employment from Nepal is on the incremental rate. Many youths from rural and urban area have gone to different part of the world for

earning mainly in order to feed of their family .Remittance increase the consumption of rural people. The increase in consumption certainly increases economic activities of people. On the other hand, country is suffering from trade deficit can also be reduced with the help of remittance by utilizing on establishing cottage and middle industries. In this context, very sound research regarding impact of remittance on economic and possibility of remittance income for sustainable development should be done.

10) Due to sudden increase in income of people because of remittance holders are found to use remittance income on unproductive sectors such as consumption ,real-estate, purchases of luxury goods etc. This kind of use of remittance does not support for the long-term development of the country. So, government should formulate appropriate policies and effectively implement to encourage people to use unproductive sectors such as on education and industries .

11) Government should not stay in related by simply sending it's people abroad but should create job opportunities within the country as well .In addition, attention should be given to bring remittance productive sector.

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QUESTIONNAIRE

A study of **Impact of Remittance on Investment** (A Case Study on Salleri
–VDC of Okhaldhunga District)

Questionnaires:

General information

Name of household head.....

a. Qualification.....

b. Occupation.....

c. Age.....

d. Number of family members.....

e. Name of village.....

f. Ward no:.....

2. Has any member of your family gone abroad?

a. Yes

b. No

Sex	Age	Academic qualification	Country	Remittance in cash last year	Average remittance in flow per years (1 to 5 years)	Average remittance in flow per years (more than 5 year)

3. How many member of your family has gone abroad?

4. In which do your migrated members work abroad?

5. What are the sources of income?

Construction	Hotel	Security guard	Salesman	Manufacturing	Driving	Others

Sources	Amount of NRs(last year)
Agriculture	
Remittances	
Business	
Government/non government job	
Others(pastoral farming ,poultry farming, Apiculture , Horticulture)	

6. In which sectors do you spend?

Total income	Last year in NRs.	Remittance income	Last year in NRs.
Household consumption		Household consumption	
Real state		Real state	
Loan repayment		Loan repayment	
Education		Education	
Health		Health	
Investment in business		Investment in business	
Investment in agriculture		Investment in agriculture	

7. Do you have children/adult of school going age?

a. yes b. No

8. If yes how many?

9. Does anybody of children/adults of school going age are not go for study?

a. yes b. No

10. If yes, how many?

S.N.	Age	Sex
1.		
2.		
3.		

11. What is the reason for not sending school or college?

Too Far	To Expensive	Help at work	Poor academic progress	Parents do not wants	Others

12. General information of the school/college going children/adults.

S.N.	Sex	Age	Level of education	Within the village	Within district out of village	Out of district	Public	Private	Rs. Last Year
1.									
2.									
3.									
4.									

13. How do you finance the educational expenditure?

Sources	Amount in NRs.(last year)
Remittances	
Agriculture	
Business	
Government/ non-government job	
Others	

14. You have any investment source?

OR

Which is your investment sources?

Sources	Income(last year)
Remittance	
Agriculture	
Business	
Govt./Non-Govt job	
Pastoral farming	
Poultry farming	
Horticulture	
Apiculture	

15. Have your remittance investment?

a. Yes b.No

16. If yes how many and which sector?

17. In which sector/Where is your remittance investment?

Sector	Amount NRs.	Percentage
Agriculture		
Education		
Cottage industries		
Business		
Health		
Pastoral farming		
Poultry farming		
Horticulture		
Apiculture		
Consumption(others)		

18. Education expenditure on staying out of home:

Sources	Amount in NRs. Last year	Private Schooling per year NRs.
Remittances		
Agriculture		
Business		
Govt./non-govt. job		
Others		

19. Are there any illiterate family member ?

a. yes b .No

20. If yes, how many?

S.N.	Sex	Age
1.		
2.		
3.		

21. How to distribute your remittance?

Category	Percentage
Consumption pattern	
Loan repayment	
Saving	
Investment	
Education	