

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The employment of domestic people on foreign countries is known as foreign employment. The main objective of employment is earning money income for the fulfillments of their needs. In the world, the globalization and liberalization policy created the more attraction on foreign employment due to the high salary than domestic country. In Nepal, most of people are facing political crisis, lack of efficient technology on agriculture sector, lack of industry and proper industrial policy, lack of security and employment. There is no positive symptom over these sectors so Nepalese manpower is physically and mentally drained. For the settlement of this manpower on foreign countries, government is trying to make good relationship with them.

A remittance is a transfer of money by a foreign worker to an individual in his or her home country. Money sent home by migrants competes with added one of the largest financial inflow to developing countries. Workers' remittances are a significant part of international capital flows, especially with regard to labor-exporting countries. In 2014, \$436 billion went to developing countries, setting a new record. Overall global remittances totaled \$582 billion in 2015. (World Economic Forum 2016). Some countries, such as India and China, receive tens of billions of US dollars in remittances each year from their expatriates. In 2014, India received an estimated \$70 billion and China an estimated \$64 billion (Capital Market 2015).

Remittances are funds transferred from migrants to their home country. They are the private savings of workers and families that are spent in the home country for food, clothing and other expenditures, and which drive the home economy. For many developing nations, remittances from citizens working abroad provide an important source of much-needed funds. In some cases, funds from remittances exceed sent from the developed world, and are only exceeded by foreign direct investment (FDI) (The Kantipur Post,2017).

According to a report by the Organization for Economic Co-Operation and Development (OECD) approximately 3% of the world's population resided outside their home country in the year 2000. A more integrated and globalized world has allowed labor movements between countries to become more fluid, with more and more workers moving abroad to seek ways to provide for their families. Thus, immigrants who seek to send back remittances have become an integrated part of the economy (OECD Report, 2014).

The major contributor to total remittance is external labor migration. The remittance has contributed to GDP by 17.5 percent taking second place after the agriculture sector during the FY 2005/06 (Thapa, 2006).

As per the report of the Labor Department (2003/04) Nepal received Rs. 60 billion remittances through official channels. Unofficial channels pushed-up the figure to more than 100 billion (Kattel, 2007) since long time in Nepal, many migrants have been transforming their income through the unofficial channels. An estimate claims that unrecorded flows through informal channel are more than 50 percent of the recorded flows in developing countries (Ratha, 2008).

Remittances flow in Nepal from abroad had grown at 20 percent a year between 1995/96 and 2003/04, rising about 3 percent of GDP in 1995/96 to about 12 percent by the end of 2003/04. At the household level, the average size of remittances increased from RS. 3,500 (8.5 percent of mean per capita expenditure) in 1995/96 to nearly RS 6,000 (15.8 percent of mean consumption) in 2003/04 in real terms. The share of households receiving remittances rose as well, from 23 percent in 1995/96 to 32 percent in 2003/04, more than a quarter of recipient households reported receiving remittances from multiple senders. Higher remittances from foreign countries other than India accounted for most of the increase. Both increased immigration and increased remittances have important implications for households, villages, and the state (CBS, 2006).

Remittances have become the second largest capital flows after Foreign Direct Investment (FDI) and ahead of Overseas Development Assistance (ODA) to developing countries. In developing countries, overall remittances constituted 1.5 percent of GDP and 5.1 percent of imports (WB, 2002). For developing countries, remittances are also relatively more important by contributing 66.2 percent of FDI inflows and 250 percent of net official finance. Although FDI has slipped down from 1999 peak of 181.7 billion and has been estimated to be \$ 135.2 billion in 2003 but still remains the major source of external finance for developing countries. While workers' remittances have been estimated to reach \$ 93 billion in 2003 up from \$ 76.6 billion in 1999. Portfolio equity shows the volatile trend which is estimated to be \$ 14.2 billion in 2003 from \$ 12.6 billion in 1999. Official Development Assistance has remained between narrow range \$ 56.4 billion in 1999 to \$ 58.3 billion in 2002 (World Bank, 2002).

With a rising population of more than 15 million international migrant remittance received by developing countries the world, countries alone are estimated to be to the 325 billion in 2010. In 2010 worldwide remittance flows are estimated to exceeded \$440 billion. From the amount, have which is an increase of developing countries received \$ 325 billion, 6 per cent from the 2009 level.(world Bank 2009)

India is the largest recipient of remittances. The remittance grew from \$ 49.6 billion in 2009 to \$ 55 billion in 2010. It is also the country with the largest number of emigrants after Mexico. China, one of the top destinations for migrants witness a rise of \$ 51 billion (World Bank, 2010).

Some developing regions in Europe and Central Asia, Latin America and the Caribbean's, the Middle East and North Africa, and Sub-Saharan Africa witnessed larger-than-expected falls in remittances in 2009, while flows to South Asia in 2009 grew more than expected. Remittance flows to Sub-Saharan Africa would reach \$ 21.5 billion this year after a small decrease in 2009 due to the global financial crisis. African countries such as Sudan, Kenya, Senegal and South Africa received 3.2, 1.8, 1.2 and 1 billion US dollar remittance respectively (World Bank, 2011).

Human resource is the wealth of nation and its importance has been increased tremendously in recent years. Almost all types of labor i.e. skilled, semi-skilled and unskilled have shown tremendous inclination towards foreign employment which outcome is the substantial growth of remittance economy. The census 2001 recorded 10637243 (45.94 percent) as the economically active population and 9900196 (42.76%) as usually active population with a difference of 737047 economically active but who are not usually economically active (PCNR, 2001).

The earnings of foreign currency as major source of the developing nations have become a substantial component of making current account surplus in the balance of payments (BOP). It is urged that many workers from Nepal going abroad for employment are no doubt young, energetic, laborious and enthusiastic do hard work for earning large volume of remittance income to support their families. However, the downside of remittances reflects the view that staying young generation long time outside without family may increase their vulnerability and ultimately they will have a tendency to leave their native land. Thus in order to recover the loss of economically active lab domestic economy. They or force to the should be encouraged to come back with skilled knowledge of utilizing- their saving and working experience for development to the productive areas in accordance with the priority of the national development plans. In a true manner, Nepal's external trade is in deficit and increasing day by day. But the balance of payment (BOP) of current account is still positive and in favor of country due to the Direct Foreign Investment and remittances back to the country which too affects positively in the consumption pattern whereas investment on real state also going upwards (MOFA, 2015).

According to Labor Survey II, 2008/09, the proportions of households in Nepal are receiving remittance (from either an absentee or from another person) 30 percent of all households. Most remittance incomes received from outside Nepal (including India, Saudi Arabia, Malaysia, Qatar) with 83.2 percent of all remittance income (absentee and others combined) coming from outside. The share of remittance received from abroad comprised of 21.3 percent from Qatar and followed by 19.2 percent from Malaysia. Similarly, data revealed that 14.9 percent, 13.4 percent, 2.2 percent and 29 percent from Saudi Arabia, India, United Kingdom and other countries respectively. Survey recorded per capita remittance from the entire country is 4042

NRs. The average amount received by overall households in the last twelve months was Rs. 19,721 (NLFS, 2008).

The remittance received by Nepal in 1985/86 was Rs. 809.1 million which rose by 2/3 in 1995/96 and remained Rs. 25.5 billion in 2002/03 and 209.70 billion in 2008/09 respectively (NRB, 2009).

A study undertaken by the Research Department of NRB reveals that 25 percent remittances are being used for loan repayments, 49 percent to purchase land and housing, 11 percent bank deposits and rest of other 15 percent in health, education, as cash, social works and other sectors. Similarly, the external trade of Nepal fully ports. At the moment, we cannot ignore the large share of remittances are being used as the imports for foreign goods, especially electronic goods (NRB 2014).

It is now widely acknowledged that remittances provide significance source of foreign currencies finances imports increase national income and contributes to BOP. It also provides overseas employment to those youths who may have been unemployed if they were in their home country. The biggest contribution of remittance is to the welfare and improved livelihood of the receiving household in terms of basic necessities such as food, clothing better health and education and to a smaller extent in terms of savings. However, some researcher' view depicts that activities as a drain on the labor and capital resources of migrant sending areas, characterized as the outer disease [a kind of plant epidemic]. To them poverty may still increase if migrants originate from poor households or if the form becomes less productive as a result of the loss of migrant's labor. Decrease in production and income may create negative multipliers and even a downward spiral in local economic activities which adversely affect the poor (Adhikari, 2012).

The income of migrants from the foreign employment has not only increased their personal income but also their social prestige. The rural people lying below the poverty level have succeeded to uplift their economic standard receiving the opportunity of foreign employment. Moreover, the downside of remittance reflects the view that the shortage of labor due to emigration has not only compelled to keep barren land in rural areas but also hamper agricultural productivity and ultimately the country would be liable to import the large quantity of food grains. Despite these, remaining young generation away from the families for long time may affect their reproductive age and their vulnerability may be subject to communicable diseases. It is also possible that if they come back with good skills and earnings, they may not normally cope with the environment of the homeland and consequently, they will have a tendency to leave the country again. Thus, the remittances, from foreign employment, have played an important role to uplift the standard of living on one like HIV/AIDS through migrants on the other may enter into the country. Specially, this type of disease may be due to poverty, illiteracy, gender discrimination, women exploitation, insecurity and the lack of legal advice as well as proper treatment. Recently, the decision made by the British government has provided the permission for the permanent residence in UK to the ex-army of Nepal retired before 1997. From this decision, remittance as a major source of the Nepalese economy will have negative impact in the long run (Panta, 2005).

Although, remittance seems beneficial, it may not be sustainable solution to strengthen the Nepalese economy. Moreover, the use of remittance in various channels is still not known explicitly and comprehensively. This needs a thorough analysis of remittance. Besides recorded values, unrecorded value of remittance is also to be observed in Nepal. So, total volume of remittance (officially recorded

&unrecorded) and the sources of its entry are still unknown inproper sense. The sources of remittance earnings are also not known explicitly. Similarly, little is known about the role of remittance in the economic development of the nation. The observation shows that the remittance has not been utilized in direct productive sectors. There is no doubt, remittance is beneficial to all kinds of economy but it cannot help the long term development of any country whenever it won't be used very carefully in the direct productive sectors. This needs a thorough analysis of remittance. (Regmi, 2005)

1.2 Statement of the Problem

This study is trying to find out the impact of economic status on the HH_s of Putalibazar Municipality. Most of the migrant workers were migrated due to the unemployment, poverty etc. Most of the, I reviewed discussed about the social status of households, benefits of the foreign employment which didn't explain the economic status of the migrant workers. So the main problem of the study to explain and analyze the economic status of households because they don't provide factual information. In this study, the following issues have been raised and efforts are made to identify the problems.

- i. How many people are employed in foreign countries in Putalibazar Municipality?
- ii. What are the impacts of remittances in the households' economy of the study area?
- iii. What are the determinants of economic status of foreign workers of Putalibazar Municipality?
- iv. What is the average level of income from foreign employment?

- v. What is the foreign employment trend of the study area?

1.3 Objectives of the Study

The general objective of the study is to determine the socio-economic impacts of remittance in the development of country. The study also aims to meet the following specific objectives;

- i. To identify the people employed foreign countries of Putalibazar Municipality?
- ii. To explore the impact of remittance in the household economy of Putalibazar Municipality?
- iii. To analyze the determinants of economic status of foreign workers of the study area.

1.4 Justification of the Study

This study is essential to understand the inflow of remittance and expenditure pattern of people of Putalibazar Municipality. Many studies reveal that remittance is a key to reduce poverty and increase the living standard of people. It is important to identify the impact of remittance income on people in concerned area. It opens an account to the academicians and future researchers to generate new areas. The findings and suggestions may provide some constructive room for the Municipality too.

1.5 Limitations of the Study

Many facts and aspects are involved in rural economy related to remittance. All the issues cannot be included within a single study of this type. This is a case study based on sample survey of Putalibazar Municipality of Syangja district. The following are some limitations of the study;

- i. The present study has been given more emphasis on income and expenditure pattern of remittance receiving households of Putalibazar Municipality only.
- ii. The study is primarily based on the field survey of the households of Putalibazar Municipality. However, secondary data are used in national concerns as the requirement of the study.
- iii. The study covers the workers employed at least one year in the foreign countries.
- iv. This study is not based on time series data.

1.6 Organization of the Study

This study has been divided into five chapters. The detail of each chapter is given below.

Chapter -I: It is introductory part of the study. It includes background of the study, the statement of the problems, objectives, significance, limitations and organization of the study.

Chapter- II: This chapter is related to the literature review of related matter of remittance income and its role in economic and social development of the households receiving remittance in the country as well Putalibazar Municipality.

Chapter- III: In this chapter, the research methodology has been discussed with subsidiary parts like research design, sources of data, data processing and analytical tools and techniques.

Chapter- IV: It contains presentation, analytical part of remittance money and its impacts of respective areas and hypotheses testing.

Chapter- V: This is the conclusion part of the study which contains the summary, findings and recommendations to cope the existing problems and making remittance income sustainably fruitful for the long term solution of unemployment problem of the nation.

CHAPTER II

REVIEW OF THE LITERATURE

2.1 Conceptual Framework

Remittances are not a new phenomenon in the world, being a normal condition to migration which has always been a part of human history. Several European countries like Spain, Italy and Ireland were heavily dependent on remittances received from their emigrants during the 19th and 20th centuries. In the case of Spain, remittances amounted to the 21% of all of its current account income in 1946. All of those countries created policies on remittances developed after significant research efforts in the field. For instance, Italy was the first country in the world to enact a law to protect remittances in 1901 while Spain was the first country to sign an international treaty (with Argentina in 1960) to lower the cost of the remittances received.

Since 2000, remittances have increased sharply worldwide, having almost tripled to \$529 billion in 2012. In 2012, migrants from India and China alone sent more than \$130 billion remittances to their home countries (World Bank, 2013).

In September 2008, the World Bank established the first international database of remittance prices. The Remittance Prices Worldwide Database provides data on sending and receiving remittances for over 200 "country corridors" worldwide. The "corridors" examined include remittance flows from 32 major sending countries to 89 receiving countries, which account for more than 60% of total remittances to developing countries. The resulting publication of the Remittance Prices Worldwide Database serves four major purposes: benchmarking improvements, allowing

comparisons across countries, supporting consumers' choices, and putting pressure on service providers to improve their services (World Bank, 2008).

At the July 2009 summit in L'Aquila, Italy, G8 heads of government and states endorsed the objective of reducing the cost of remittance services by five percentage points in five years. To drive down costs, the World Bank has begun certifying regional and national databases that use a consistent methodology to compare the cost of sending remittances (World Bank, 2009).

At the G202011 Summit in Cannes, Bill Gates stated that, "If the transaction costs on remittances worldwide were cut from where they are today at around 10% to an average of 5% it would unlock \$15billion a year in poor countries." A number of low-cost online services such as Azimo have emerged with the objective of lowering the cost of money transfers to developing and emerging economies.

Remittances are a new financial phenomena and one of the main important sources of incomes based on it seize and economic impact in the world. Data from (World Bank, 2014) indicates that global remittance is \$430 billion dollar in 2011 and remittance is 0.31% of global GDP in 2009. The impact of remittance on economy system is more profound in developing countries because, they receive \$307.1 billion of the total N416 billion inward remittances, which is about 74 percent. Remittance is also 27 percent of the GDP of developing countries. According to the World Bank, remittances flows to the developing world have reached USD 414 billion in 2013 (up 6.3 percent over 2012), and are now, behind foreign direct investment, the second largest source of external financial flows to developing countries. Given the 232 million international migrants and the almost 70 million internal migrants, the earnings generated and transferred by migrants are projected to reach USD 540 billion

by 2016. Importance of remittances is increasing potentially and they are becoming one of main important sources of foreign financial flows, especially in developing countries, both in size and growth rate (World Bank, 2014).

India is the world's largest recipient of remittances in 2015 may receive a remittance of \$ 65.5 billion. In 2016, remittance flows are expected to decline by 5% in India and 3.5%. In Bangladesh, where as they are expected to grow by 5.1% in Pakistan and 1.6% in Sri Lanka, the world bank said in a latest report on remittances. The World bank said in 2016, India is expected to receive a remittance of \$65.5 billion, followed by China (\$65.2 billion). Pakistan positioned at number five is estimated to receive \$20.3 billion in 2016. The world bank said remittance to south asia is expected to decline by 2.3% in 2016, following 1.6% decline in 2015 (World Bank, 2015).

Latin America and the Caribbean saw the most rapid growth rate in remittances in 2015, of 4.8 percent, due to the recovery in labor markets in the United States. Growth is expected to continue in 2016, although at a slower pace, with remittances expected to reach \$69.3 billion this year, from \$66.7 billion last year. Remittances to East Asia and the Pacific rose by 4.2 percent in 2015, down from 7.4 percent in 2014. Nevertheless, the region remained the top remittance recipient amongst all geographical regions. Remittances are projected at \$131 billion this year, up from \$127 billion in 2015. Remittances to South Asia grew by 2 percent in 2015, down from 4.3 percent in 2014, due to a contraction in flows to India, the world's largest remittance recipient, and Sri Lanka, despite a spike in remittances to Nepal in response to the earthquake. The region is expected to attract \$123.3 billion in remittances this year, compared to \$117.9 billion in 2015. Sub-Saharan Africa saw a

modest growth of 1 percent in remittances in 2015, compared to 0.2 percent in 2014. Remittances to the region are expected to increase further this year, by 3.4 percent, to \$36 billion, from \$35.2 billion in 2015. Remittances to the Middle East and North Africa contracted by 0.9 percent in 2015, from 4 percent growth in 2014, largely due to a decline in inflows to Egypt, the region's largest remittance recipient. However, remittances to the region are expected to grow by 2.6 percent this year to \$51.6 billion, from \$50.3 billion in 2015. Remittance flows to Europe and Central Asia were severely affected in 2015, contracting by 20.3 percent, due to the depreciation of the Russian ruble against the dollar and the slowdown in economic activity in Russia, a major source of remittances for the region. The region should, however, see a robust recovery this year, with remittances expected to grow by 5.1 percent to \$36.3 billion, from \$34.6 billion in 2015. According to the World Bank Nepal received remittances of \$ 8.1 billion in 2106 and ranks 23rd among all remittance receiving countries in the world. In terms of the contribution of remittances to GDP, it ranks 3rd after Tajikistan and Kyrgyz Republic. Over half of all Nepali households have at least one migrant family members currently abroad or living in Nepal as a returnee (World Bank, 2016).

Although Nepal is an agrarian country, the main income source has become remittance now a day. The subsistence agricultural system has not been sustainable for rural people because of the limited land for farming and the increasing pollution of land, dependency on monsoon, lack of new technology for farming etc. that's why people migrate from rural and remote areas to urban areas within the country or abroad to seek for new sustainable way for living. A stream of Nepalese migration to India and other countries began after Anglo-Nepal war. Maharaja Ranjeet Singh of Punjab and the British rulers were highly impressed by the fighting capacity of the Gurkhas and immediately of the treaty of Sugauli (in 1816A.D), the British residency

was established in Kathmandu and Gurkha recruitment to British army began.” The remittance in Nepal has its roots in the year 1920 because the signing of Versailles treaty in 1919 officially ended the First World War. Some 2,00,000 (about two lakhs) Nepali soldiers who went to fight on behalf of British empire returned home with money and foreign wages” (The Kathmandu Post, September, 2011).

Nepal has become one of the major labor exporting countries in recent years. The history of foreign employment in Nepal dates back to the early nineteenth century when Nepalese soldiers began to recruit in the British army. In the ensuing decades, hundreds of thousands of Nepalese have worked in British and Indian Army. Currently, over 60 thousand Nepalese are working in Indian Army and other government institutions in India. As the border between India and Nepal is open, hundreds of thousands of Nepali go to India for labor work. The pace of foreign employment increased dramatically after 1996 and the consequent shrinking economic opportunities back home compelled Nepalese youths to look for alternatives elsewhere. The massive unemployment inside the country is the main reason behind this upsurge in venturing out to distant lands. As per the government data among the total population of 23.2 million, 47 percent are underemployed. Every year 300,000 to 350,000 new Nepalese enter the labor market. Out of these new entrants, 20 to 30 thousand find jobs within the country; 100,000 to 150,000 go abroad and the rest remain in the country with no job. According to the National Planning Commission (NPC), the number of overseas workers has grown, on average, by 30 percent in the last couple of years. There are now an estimated 1.2 million Nepalese working in 40 countries, excluding India. In the Gulf region alone, about 700,000 Nepalese are working in Bahrain, Kuwait, Saudi Arabia, Qatar and the United Arab Emirates (UAE). The demand was so high that Nepal had to open a consulate in Qatar to

supplement the efforts of the embassy in Saudi Arabia, where are over 2,00,000 Nepalese. Malaysia, firstly opened its domestic job market to Nepalese in 2001, and it is estimated that about 150,000 workers have legally entered the country since then, around 70,000 more are estimated to work in Hong Kong. Large numbers are also illegally employed in the rest of Southeast Asia (CBS,2001).

There are huge number of Nepalese in UK and USA. They have to those countries as a student but their returning to Nepal is rare. They are remitting their earnings through unofficial channels since the commission charge in official channels is very high. Today, the process of money transfers to Nepal from abroad through banking channel has become efficient and easy. It is now possible to measure the amount repatriated by the Nepalese migrant from abroad to Nepal every year through formal channel. However, it is estimated that only around 40 percent of Nepalese migrant workers use formal channel to send their earning back home. The rest still rely on the informal channel like hundi that is believed to be fast and economic. Now, there are 26 recognized remittance companies including Western Union, operating to transfers money from all over the world to all the part of Nepal. Since 2001, the flow of remittance to the country has grown at an annual pace of 15-20 percent. It is expected to grow more as number of people going abroad is increasing day by day. Remittance market study shows that around 40 percent of the total inward remittance volume to Nepal is paid within Kathmandu valley (The Kathmandu post, December, 2016).

Migrant workers' remittance is a strong source of foreign exchange earnings for Nepal. It is estimated that in 2004 money transferred from migrant Nepalese have crossed Rs 100 billion making it a bigger source of foreign exchange than tourism and

all exports combined. Workers remittance is now considered as a backbone of our economy. For the DFID, the value of foreign remittance from migrant laborers could be equivalent to 25 percent of official gross domestic product (Seddon, 2008).

Since last few years remittance income is playing a vital role for the foreign currency earning and favorable impact on balance of payment situation, to reduce the number of people in the country below poverty line and ultimately to the economic growth of the nation (CBS report, 2014).

Mainly the remittance in Nepal from Gulf countries comes through Exchange Houses, Western Union Money Transfer, Money Gram, Himal Remit, and Nabil Speed Remit of which, Western Union Money Transfer and Money Gram are the international brand whereas Himal Remit and Nabil Speed Remit are the local brand. Himalayan Bank Ltd. is the sole agent of Money Gram. Himal Remit was mainly confined to the Gulf countries but now it has extended its service to Europe also. Similarly, Nabil Speed Remit is focusing its business in Doha, Qatar. The remittance from Gulf countries mainly comes through Exchange Houses. For this, Exchange Houses from Gulf countries maintain their accounts in Nepalese banks and issue either drafts or send the payment instructions through telex/e-mail/fax messages to remit the fund to the concerned beneficiary. The exchange houses in the Gulf are depending on these channels since they are not authorized to use swift yet. Recently they have started using web based program to transfer funds to Nepal, which has become easy and fast. Stream of early Nepalese emigration to India was that of migration to northern- east region of India It was the beginning of 19th century that the Tea Plantation Companies were in search of plantation workers. As a result, people began to migrate to Assam. The Nepalese also began to migrate to those areas. Many

of them cleared the forest and started cultivation. They also joined to the military services. After becoming the Member of UNO in 1956 AD and participating in various international conventions. Nepal was much known to the rest of the world. The expansion of Nepal's relation with rest of the world further paved the way for Nepalese immigrant's abroad_ the pace of globalization also fueled for inter-regional migration in most of the developing countries of the world. As Maoist movement intensified particularly after the beginning year of 1990s, more and more Nepalese youths of rural and urban areas of the country began to migrate temporarily towards India and abroad for education and employment. Those youths send back money (remittance) to their respective family members (Sigdel, 2005).

The remittance received by Nepal in 1975/76 was Rs. 231.3 million which was rose by four fold in 1985/86 and remained Rs 809.1 million. The remittance began to take shape only after 1986/87. Nepal received Rs 1292.6 million worth remittance from India and abroad which ballooned up to Rs 25501.4 million in 2002/03 AD. NRB's study on remittance depicts that in 1990/91, the total remittance received by Nepal was Rs 2129.0 million which came 75 percent from the India and rest 25 percent from third countries. This situation changes in 2001/02, the remittance received from India stood at 38 percent while the amount recall from third world remained 62 percent. By the middle of the 1990s, the value of official, recorded remittance from abroad was around Rs 2974 million in 2008(Statistical Pocket Book, 2008). Due to the labor migration from Nepal through official or non-official channels, it is quite difficult to assess the total migrants as well as nationwide migrants. They are there either legally or illegally. They earn more or less money and send as remittance into their native country. In 2003/04 Nepalese workers sent remittance 794 million US dollars where as it was 203 million in 1995/96. According

to International Monetary Fund, 908 million US dollars has been received as remittance in Nepal in 2004/05. This is increased by 97.69 billion and 101.4 billion in 2005/06 and 2006/07 respectively. In 2007/08 it was jumped by 142.68 billion which reached up to 209.69 billion in 2008/09 and ballooned up by 238.72 billion in 2009/10. (Annapurna Post 24th oct, 2010).

In 2009/10 and 2010/11, the inflow of remittance has increased by a small percentage due to global economic recession started in USA from the business of land and housing. However, as the Obama administration injected a large amount dollar in the US, the economy of the USA improving. The unemployment rate has been reduced to around 9% and was more than 12% in 2009. Due to the improvement of US economy, the foreign employment has again increased which resulted in more inflow of in 2011/12. In comparison to the previous FY, the inflow of remittance e has increase by more than 41% in 2011/12. IN FY 2016/17, the inflow of remittance is Rs 699 billion which is just the 5.1% more than previous year (Economic Survey, 2016/2017).

The study of Seddon, Gurung and Adhikari opened that "remittance constituted about half of the value of the foreign exchange earned by tourism and one fifth of total exports of Nepal". One could reveal the fact that the remittance amount in total could remain as high as official figures. It is because under the heading of remittance, there also come the items, such as gold silver and other ornaments or luxury items send by migrants to their family members and dependent either from India or from third countries (NRB. 2015).

According to Labor Survey II 2008, 30 percent households are remittance recipients and migrant in India, Saudi Arabia, Malaysia, Qatar (about 68%) and 83

percent of remittance from foreign employees, 33 percent migrated elsewhere from their birth places, unemployment rate of country dropped down by 2 percent whereas this rate is 1.5 percent in western development region (CBS, 2008). It proves that remittances play a key role not only increment of GDP but also in poverty reduction, promotion in social indicators i.e. education health etc. It was Rs. 801 million which rose by two third times in 1986/87, the remittance received by Nepal in 1985/86 and remained Rs 25501.4 million and 209.7 billion in 2002/01 and 2008/09 respectively (NRB, 2009). The promotion of households receiving a remittance (from either an absentees or from another person) was 30 percent of all households. the average amount received overall households in the last twelve months was Rs. 19,721 (NLFS 2008). Most remittance incomes were received from India, Malaysia, Saudi Arabia and Qatar with 83.2 percent of all remittance income (absentees and others combined) coming from outside. The share of remittance received from abroad comprised of 3.4 percent, 19.2 percent, 14.9 percent, 2.2 percent, and 19 percent from Malaysia, Qatar, Saudi Arabia, United Kingdom and other countries respectively. Per capita remittance for the entire country is Rs. 4042 (NLFS, 2008).

While evaluating medium of entering remittance in Nepal, 22 percent remittance enters through banks and financial institutions ,44 percent from money transfers, 29 percent remittance enters through 'Hundi' which is an illegal channel to enter remittance. About 5 percent enters from other channels i.e. relatives, friends etc. According to Nepal Rastra Bank, 49 percentage of remittance is spent on land and housing. 25 percent of remittance is spent on loan repaying and 11 percent as saving in banks and other financial institutions. About 9 percent of remittance goes to education, health, and other sectors. Negligible amount is held as cash i.e. 1 percent. About 5 percent of remittance income is used in social and other activities as social

welfare. It reveals a fact that a major portion is spent on housing and purchasing land means in unproductive sectors (NRB, 2009).

In recent years, the remittance has become a major source of income and it has been increasing dramatically. According to data, in fiscal year 2062/63, Nepal received Rs. 17 billion and 690 million. In 2063/64, it received 101 billion and 440 million and it went up to 142 billion and 680 in 2064/65. Similarly, in fiscal year 2065/66 remittance reached up to 209 billion and 690 million which increased and remained 231 billion and 720 billion in the fiscal year 2066/67. During these five years. remittance has increased by 240 percent. Remittance has become a major source of national economy that covers 23 percent of GDP. The data reveals 32 percent of households are directly benefited by remittance (NRB,2007).

According to the World bank Nepal received remittances of \$8.1 billion in 2016 and ranks 23rd among all remittance receiving countries in the world. In terms of the contribution of remittances to GDP, it ranks 3rd after Tajikistan and Kyrgyz Republic. Over half of all Nepali households have at least one migrant family members currently abroad or living in Nepal as a returnee (World Bank 2016).

2.1.1 Characteristics of Remittance

- i. Remittances are one of the fluctuating sources of foreign exchange earnings for developing countries. Other kinds of capital flows tend to rise during the period of economic boom and fall in the recession. But experience has showed that remittances tend to be counter-cyclical and remains stable over the cycle. During the economic downturn, in the developing workers are encouraged to migrate abroad and began to transfer funds to their families so that the

consumption pattern can remain unchanged. Those, who have already been in abroad also send more money to their families to cope with the crisis.

- ii. Remittances from the source countries may remain stable even the economic downturn. If the migrated workers are forced to remain to their home countries, they may bring back their whole savings. This has happened during the Gulf War of 1990s when many workers were forced to leave but remittance income to India did not decline.
- iii. The remittance income is invested by receiving countries; it is not easily withdrawn as the portfolio equity flows from the developed countries. Workers are more likely to continue to invest in their home countries in spite of economic slowdown because of the households' investment.
- iv. Remittances constitute a transfer directly from relatively richer to relatively poorer individuals or households and mostly from children to parents. The amount of remittance is higher or more frequent in certain season or periods when people need more money. However, it may vary by migrant group due to culture or religious date, such as New Year, Deepawali, Christmas, and Ramadan etc.

2.1.2 Determinants of the Nepalese Remittance Income

Nepalese remittance income depends on several factors.

- Number of Migrants and the Length of Stay: An important factor that determines remittance income is the number of migrants and their length of stay abroad. It is but natural that if more migrants go abroad for work and if they stay for a long period, they remit more money.

- **Macro-Economic Activities:** The nominal remittance sent by the migrants, depend upon the comparative macroeconomic activities of the migrants sending and receiving countries. If the labor sending is in expansion phase, then the remittances enter in the form of cash. Similarly, remittances enter through the formal channels, if the Banking facilities are available in the rural areas. In case, if the economy is in to the contraction phase, the remittances enter in the form of any kind. At present, in Nepal, 22 percent of total remittance enters through banks and other financial institutions.
- **Level of Education:** The level of education of the migrants also determines the earnings and amounts of remittance and the choice of channels of sending remittance. The educated migrants know well the banking system and the advantages of sending money through the banking channels. The uneducated migrants prefer to send through the informal channels due to the lack of proper knowledge about sending money through the formal channels. However, the studies show that there is no significant difference in the amount of remitted money sent by educated migrants and uneducated migrants in the case of external remittance in general. Another side, educated migrants spend their income for electronic gadgets whereas uneducated migrants spend it unwisely.
- **Political Stability:** The political stability of the labor sending country determines the amount of remittance. Political stability creates the favorable atmosphere for further investment for the effective utilization of remittance, the countries where there is no political stability do not have good environment for further investment in their native countries. Migrants from politically stable countries push up the earnings as possible

as much into his/her mother country and migrants from politically instable countries deteriorate to send the remitted money.

Income from export of goods and services used to be the major source of foreign currency earning till few years ago. In recent years, however, the remittance income has taken the lead in this area. Since last few years, remittance income is playing a leading role for the foreign currency earnings and favorable impact on Balance of Payments and ultimately to reduce the number of people in the country below the poverty line (Economic Survey, 2009/10).

The increasing role of remittance in the world is due to the globalization, liberalization and privatization of economic system that have taken by various developed and underdeveloped countries. After the establishment of world trade organization, Nepal is also becoming the latest member of this organization. Therefore, foreign employment is increasing very rapidly.

Most of the studies, conducted so far have more emphasis on external remittance and its various sources than internal remittance and its role in sustaining the economic standard of the rural people by the remitted money. But, this study has taken into account where, there is totally positive impact on the economy of the country but has some negative impacts in social lives of peoples in the country. Basically, earlier studies were descriptive in nature but it is both descriptive and analytical from the point of view of social and economic activities. This study is basically focused on the sources, volume and their areas of using the remittance and its effects on their living patterns as well its role in rural household economy.

2.2 Review of Related Studies

The various studies have been reviewed which are directly and indirectly related to the present study.

Blaike (1980) has documented some facts related to remittance in his book entitled "Nepal in Crisis" that in the rural areas non-agricultural income is preferred as an alternative to agriculture and also found that income from other sector is the main source of remittance which makes their living a little bit easier and higher.

Gurung(1996) has conducted a study about the role of remittance in hilly economy based on the data generated from Oreste VDC of Syangja, for his MA. Thesis. He states that most of the productive and enthusiastic lifespan is spent in foreign countries and retired in their old stage. Therefore, it does not bring any special or technological changes in the village but it has brought some changes in consumption habit in the name of so-called modernization.

Basnet (1996) has indicated that households involved in foreign labor migration tended to have less agriculture land and to be less food self-sufficiency than those who are not involve in foreign labor. In this research, he has found that highest percentage (55 percent) of remittance is spent on immediate food and family requirements followed by debt repayment (12 percent) while that might be termed investment (housing, land purchase, bank deposit, education and business) accounted for the rest 33 percent.

Gaudel (2000) in his Study concludes that remittances and grants are claimed as important sources of increasing foreign exchange earning in Nepal. Moreover, remittances may be dependable source of national income for economic development

if there is job guarantee for the workers with the wage equivalent to the residence of foreign country. Furthermore, the young and energetic generation remaining outside should be attracted to come back again with skilled knowledge and experience and to provide the way for utilizing their remittance in productive sector. Thus, remittance received so far taken by the country is considered as boon, and the government should pay attention to make workers confidence to deal with whatever anomalies arise in working places. Besides, the policy of providing permanent residence in outside for retired workers should be amended to continue the source of increasing remittance flow in Nepal.

Barry M and Vvahha (2000) mentioned that remittance has a substantial impact on the macro economy of many small countries. Several Micro Studies have also found that a large share of remittance is used to purchase non-traded goods. This frequently occurs in the form of housing, investment in education and health care which appear primarily in non-traded goods have also been significant.

Sigdel (2005) states that skilled labor is abundant factor in industrial world and unskilled labor is the abundant factor in developing world. Therefore, globalization should be associated with an increase in the relative demand for skilled manpower in industrial economies and unskilled labor in developing economies. Wages and opportunity gaps between rich and poor countries, regional conflicts and political instability in developing countries, the relative share of youth-adults' in the population in sending and receiving countries etc are still deriving north-south and south-south migration. In the regions where development has been slower and poverty more absentees, rising population, dwindling opportunities will combine to impel immigration. Besides this, the shrinking share of young adults in developing countries

and rising share of young people in Asia, Africa and other part of the world are complementary drives of labor movement. Both developed and developing countries have much to gain from an increased flow of workers. Rich countries benefited because they gain workers whose skill is short supply. Migration allows an influx of younger workers who contribute to pension system. Poor countries gain higher wages as well as from remittances that accrue from migration.

Regmi (2005) has found that the external remittance is more significant than the internal remittance. External remittance accounted for 68.94 percent whereas internal remittance accounted only for 31.06 percent of the total remittance. The total inflow of remittance was found Rs. 11643600 and average inflow was Rs. 18193125 per households annually during 2004/05.

Sigdel (2006) has been conducted the study for evaluating the significance of inward remittance in the overall economic development of the country. Employment abroad has not only helped Nepal ever-growing un-employment problem but it has also injected much needed foreign currency into our economy to fill up foreign exchange and investment gap, thereby helping Nepal avoid a major BOP crisis. The increase of the flow of remittances has paved the way for South Asian economies such as Bangladesh, Sri Lanka and Pakistan to keep their BOP situation in a healthy state. The strong inflow of remittances allows foreign exchange reserve to increase and provides the confidence to float a country's currency. If we recall the above mentioned phenomenon, what we found that the remittance money has become a crucial component for Nepalese economy. The GDP has also accounted remittances as one of the major sources of national income of the country. The remittances have contributed much to maintain Nepal's BOP position favorable. Not only this, this

sector has become one of the prime sources of foreign currency earning and mitigating ever growing imports bills for Nepal. The expansion of banking and financial sector has been possible due to presence of remittances in Nepal. Meaningful utilization of remittance money paves the way for boosting socio-economic activities towards deprived people and remote areas of the nation_ Mere collection of remittances in banks and financial institutions does not bring desired outcome in the economy. Such funds should be channelized in different layers of the economy to meet twin goals: poverty alleviation and sustainable development of Nepal. The GDP of the nation could be magnified in the long run with the better use of remittance.

Chaudhari (2007) explained that the impact of remittance has been seen most remarkable both in the GDP and GNP in nominal and real terms. In the nominal GDP and GNP, the remittance shows 61 percent and 72 percent impact respectively while in real terms it shows 48 percent and 55 percent respectively. Remittance has also shown positive impact on the PCI but it is comparatively low about four percent in nominal and one percent in real terms.

Dhungana and Pandit(2014) explained that the impact of remittance on both economic status and the social status of the sample household is remarkable. The perceived status of household in the past migration period is better than that in the pre migration period. Yearly remittance in household is significantly associated with other socio-economic variable. So, overseas remittance has brought qualitative change in children's education and health status. An improvement in the economic status of migrant households, the involvement of the household in community development

activities and participation in social organization have brought a positive change in overall socio-economic status of migrant households.

Bam and Neupane (2016) explained that remittance income has statistically significant positive impact on household per capita income and consumption. There is significant negative relationship between remittance income and proportion of poor quintile population and significant positive relationship between remittance income and richest quintile population. It indicates that due to remittance income lower quintile population was decreased significantly

2.6 Research Gap

The various scattered studies have been conducted with various aspects of the remittance. But the present study is related to economic status of foreign workers depend on places of migration, income of migrant workers and level of education. Similarly, the relation between remittance and GDP has been conducted. Likewise, the trend line of the ratio of remittance to GDP has been also drawn for 15 years.

CHAPTER III

METHODOLOGY

The present study is mainly focused on the economic impact of remittance in households of Putalibazar municipality, Syangja. So this chapter outlines the methodology followed for this purpose. Research methodology is the most important part of the study which describes the method and process applied in the entire process of the study. This chapter has been divided into six sections: research plan and design, description of the sample, instruments, data collection Procedure, validity and reliability and analysis part.

3.1 Research Design

The research design is the specification of methods and procedures for acquiring the information needed to structure to solve the problems. It presents a guide posts to enable to the researcher to progress in the right direction in order to achieve goal. This study seeks to know the economic impacts of remittances. Therefore, the study is designed as descriptive and analytical in nature covering the Syangja district of western region. It is a fact finding operation searching for information. This study is a type of survey study, which is generally conducted to assess the prior and existing condition of given population and to explore the situation and events occurring at present

3.2 Population and Sample Size

Population refers to entire group of peoples, events or things of interest that the researcher wishes to investigate. Under this study, population represents all

households who receive the remittance in Putalibazar Municipality, Syangja by working their family members in foreign countries. A sample is a collection of items or elements from a population. Hence a, sample is only a portion of the population. It comprises some observation selected from the population. Out of the total population of the households 170 HHs are taken as samples, which would be able to represent the whole population. The 19 HHs are taken as samples from each ward and 60 samples for ward 1 and 2 as there are more number of migrants compared to other wards. The samples will be selected on the random basis and based on the judgment of the research to include diverse sources of migrants.

In order to collect the data for the research, structured questionnaire was prepared and administered to the respondent by making arrangement of face to face interview. The questionnaire consists of single response, multiple responses, rating scale and open ended type of question. The questionnaire was developed in English language and information was also shared verbally in case the respondent felt difficult to understand some of the questions. The questionnaire contains demographic information like (gender, age, marital status, household's size, level of education and regions or place of migrations and also the economic information's like the range of incomes, employment status before migration, type of job they perform, investment sectors of the remittance income. Also the open ended questions were included to find out the result in depth and to know the perception of recipient households about the remittance income.

3.3 Nature and Source of Data

Mainly primary data has been used for research work, but the secondary data has also been used in limited sense especially, concerned to the national scenario.

3.3.1 Primary Data

Primary data have been collected from the direct personal interview by household, survey in the presence of the researcher himself with the help of the questionnaire presented in the appendix. It is found that 690 workers are working any kinds of work in foreign countries. Out of 690 persons from house hold survey, 25 percent (170) sample has been taken from the Workers engaged in foreign job. Primary data are collected on the basis of questionnaire prepared by researcher himself. If available employed themselves and if not member of the respects families are respondents.

3.3.2 Secondary Data

The secondary data have been abstracted and analyzed to show the overall economic impact of foreign job in Nepal and relation of remittance and GDP and trend of the ratio of remittance to GDP of Nepal.

3.4 Instrumentation

This study is mainly based on primary data. Each ward of municipality has been as stratum. The municipality is regarded as population universe. Different strata are made on the basis of the countries where member(s) of their family are working. Stratified sampling technique has been adopted and 25 percent sample is drawn randomly each stratum. A questionnaire has been administered to each sampled whose family member(s) is engaged in foreign jobs.

3.5 Determination of the Sample Size

While taking sample size of the foreign employed 25 percent of each count have been sampled i.e. 170. out of 690 workers recently working in foreign countries i.e. India, Gulf countries (Saudi Arabia. Qatar. UAE, Bahrain etc.), Malaysia. Japan. South Korea, Australia, Europe, America and some other not identified countries. (Table 1).

Table1
Determination of the Sample Size in the Study Area

Ward no.	Total no of workers engaged in the foreign job and 25% sampled																			
	India		Gulfs		Malaysia		Japan		Korea		Australia		Europe		America		Others		Total	
	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al	Sampl ed	Tot al
1	3	12	18	73	2	7	1	2	1	2	1	3	1	3	-	1	1	4	28	107
2	5	19	7	28	2	10	1	3	1	4	2	7	1	4	1	2	2	7	22	84
4	4	15	9	35	3	15	-	1	1	5	2	11	3	15	1	6	1	4	24	107
5	3	13	7	27	3	12	-	-	-	1	3	9	2	9	1	4	1	5	20	80
6	3	11	5	21	2	8	3	12	1	4	1	4	1	3	-	1	3	10	19	75
7	2	8	5	20	3	11	-	-	1	3	-	2	-	2	1	3	1	6	14	55
8	3	12	4	18	1	5	-	-	1	5	-	1	1	2	-	-	3	13	13	56
9	4	18	5	20	2	9	1	2	1	4	-	1	-	1	1	2	2	8	16	65
12	3	14	4	16	2	10	1	2	1	4	-	1	1	2	-	1	2	11	14	61
Tot al	30	122	64	258	20	87	7	22	8	32	10	39	10	41	5	20	16	68	170*	690

Source: Field Survey, 2017

*25% sampled from total (690) workers in foreign country.

3.6 Reliability and Validity

In order to enhance the reliability of the responses the respondent was thoroughly briefed about the nature of the question via face to face interview and responses were collected. Further reliability of the sampled responses for the economic dimensions developed through questionnaire.

3.7 Data Analysis

The data obtained from the respondent are categorized, tabulated, processed and analyzed by using different data analysis methods and tools using appropriate computer packages. After the compilation of the information will be presented in table form, simple diagram and pie chart. Necessary interpretation and explanation will be made whenever needed to clarify the analysis. The data collected will be entered in SPSS and excel and the frequencies will be calculated. The economic factors before and after the remittance income are compared. The data are analyzed using different statistical tools such as tables, graphs, chi-square test, regression analysis of remittance for GDP, t-test, ANOVA table for F-test is used.

i. Chi-Square test

The null hypothesis and alternative hypothesis are as follows:

Null hypothesis H_0 : There is no association between social indicator and change in social indicator.

Alternative hypothesis H_1 : There is significant association between social indicator and change in social indicator.

To compute the test statistics:

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

O = observed frequency

E = expected frequency

ii. Regression Analysis for Primary Data

Model 1: Regression of economic status on places of migration

Null hypothesis H₀: There is no association between economic Status and Places of Migration.

Alternative hypothesis H₁: There is association between economic Status and Places of Migration.

$$Y = a + b_1 X_1$$

Where,

Y = Economic Status

X₁ = Places of Migration

Model 2: Regression of economic status on level of education

Null hypothesis H₀: There is no significance between economic Status and Places of Migration.

Alternative hypothesis H₁: There is significance between economic Status and Places of Migration.

$$Y = a + b_2 X_2$$

Where,

Y = Economic Status

X₂ = Level of Education

Model 3: Regression of economic status on income of migrant workers

Null hypothesis H_0 : There is no significance relationship between economic Status and Income of Migrant Workers.

Alternative hypothesis H_1 : There is significance relationship between economic Status and Income of Migrant Workers.

$$Y = a + b_3 X_3$$

Where,

Y = Economic Status

X_3 : Income of Migrant Workers

Combined Model: Regression of economic status on place of migration , level of education and income of migrant workers

Null hypothesis H_0 : There is no significance relationship between economic Status and Income of Migrant Workers, Places of Migration and Level of Education.

Alternative hypothesis H_1 : There is significance relationship between economic Status and Income of Migrant Workers, Places of Migration and Level of Education.

The regression model is,

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3$$

Where,

Y = Economic Condition

X_1 = Places of migration

X_2 = Level of Education

X_3 = Income of migrant workers

For all models t-test has been used as :

$$t(b_i) = \frac{b_i}{S.E(b_i)}$$

Where,

b_i = regression coefficients'

S. E= Standard Error of coefficients'

The economic condition is the dependent variables and POM, MRAY, LOE are independent variables in regression analysis. The b_1 , b_2 , b_3 , are the coefficients which indicates how much impact it creates with the change in value of dependent variable with per unit change in value of different independent variables.

iii.) Regression analysis for secondary data:

The regression equation of GDP on remittance has been conducted using 15 yrs data.

$$Y = a + bX$$

Where,

$$Y = \text{GDP}$$

$$X = \text{remittance}$$

Null hypothesis H_0 : There is no significant effect of remittance on GDP.

Alternative hypothesis H_1 : There is significant effect of remittance on GDP.

For above equation

$$t(b_i) = \frac{b_i}{S.E(b_i)}$$

$$R^2 = 1 - \frac{\sum e^2}{\sum y^2}$$

$$\text{Adjusted } R^2 = 1 - \frac{\sum e^2 / n - k}{\sum y^2 / n - 1}$$

$$R = \frac{\text{Cov}(x,y)}{n \cdot \sigma_x \cdot \sigma_y}$$

$$F\text{-test} = \frac{MSR}{MSE}$$

Where,

MSR= Mean sum of squares due to regression

MSE = Mean sum of squares due to residual

F-test is used for overall significance of regression model.

iv.) Trend line of the ratio of remittance to GDP

The trend line of the ratio of remittance to GDP has been estimated using 15 years data.

$$Y = a + bX$$

Where,

Y= GDP

X= Time variable

For the autocorrelation among error terms ,the following formula has been used $\rho =$

$$\frac{\sum e_t \cdot e_{t-1}}{\sum e_t^2}$$

Durbin-Watson test:

It is used to the hypothesis that there is the presence of autocorrelation among error terms.

Null hypothesis H_0 : There is no autocorrelation among error terms.

Alternative hypothesis H_1 : There is presence of autocorrelation among error terms.

The Durbin-Watson test has been used as follows.

$$d = \frac{\sum (e_t - e_{t-1})^2}{\sum e_t^2}$$

Where,

e= error terms

CHAPTER IV

DATA ANALYSIS

This chapter explains the description of the social characteristics of the respondents. It includes status of economic condition occupation, causes to seek foreign employment, mediums used to obtain foreign employment. Moreover, it considers destination, duration of stay in abroad, income earned in abroad, system of transfer remittance income. It describes uses of remittance income and the effect of the remittance in the poverty reduction and change in the life style of the family of the migrated workers etc.

4.1 Presentation of the Result

The data and information received from the questionnaire and the informal discussion made with the members of HHs are displayed in this chapter. The data and information accumulated based on the objective of the study. An attempt has been made to assess the economic impacts of Putalibazar Municipality. In order to maintain the best results are the different statistical tools have been used as mentioned in the methodology section of the report. The data are represented meaningfully and clearly. The clear picture of the impact of remittances on different economic aspects of households is presented in this chapter.

4.2 Relationship between Remittance and GDP

4.2.1 Regression of GDP on Remittance

The regression equation of GDP on remittance of the 15 years of Nepal shows that correlation coefficient, coefficient of determination and adjusted coefficient of

determination are found to be 0.969, 0.940 and 0.935 respectively by showing remittance has significant effect on GDP. The coefficient of regression is highly significant. Similarly, the f value is also highly significant which shows that the regression model of GDP on remittance is good fit.

Model 1:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969 ^a	.940	.935	191.0069845

a. Predictors: (Constant), Remittance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7370048.074	1	7370048.074	202.010	.000 ^b
	Residual	474287.685	13	36483.668		
	Total	7844335.760	14			

a. Dependent Variable: GDP

b. Predictors: (Constant), Remittance

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	326.553	82.272		3.969	.002
	Remittance	3.097	.218	.969	14.213	.000

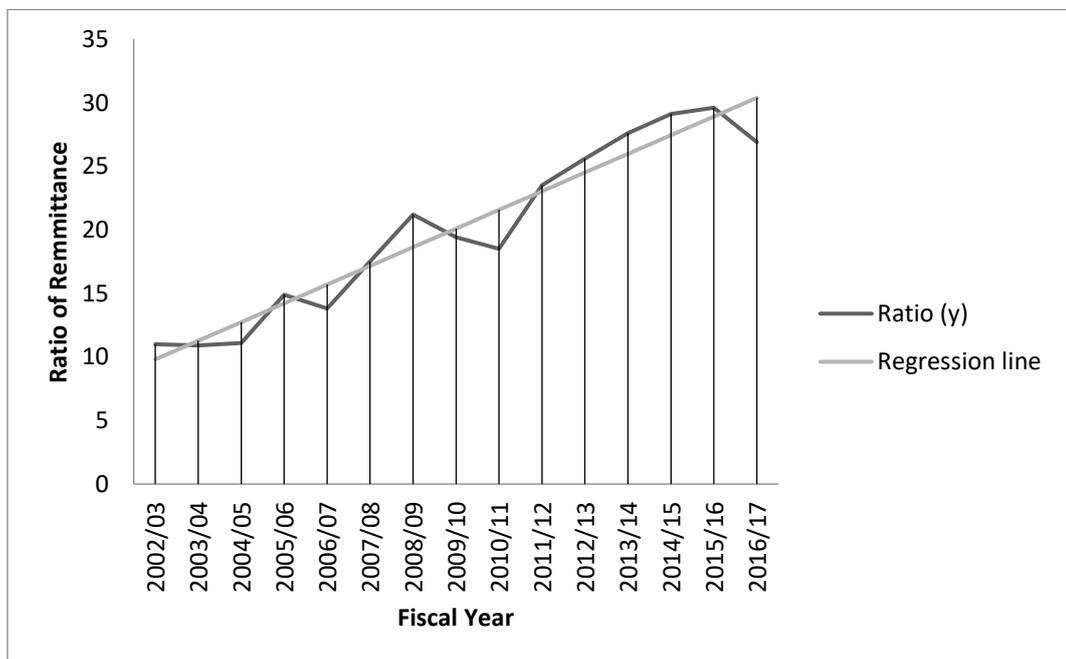
a. Dependent Variable: GDP

4.2.2 Trend Line of the Ratio of Remittance to GDP

The trend line of ratio of remittance to GDP for 15 years shows the annual increase in the ration of remittance to GDP is found to be 1.47% per year.

Figure 1

Ratio of Remittance to GDP



The value of autocorrelation is found to be 0.11886 Similarly Durbin- Watson test is found to be 1.5025 which reveals that the presence of autocorrelation among error term is 15.

4.3 Descriptive Analysis

4.3.1 Gender-Wise Distribution of Migrants

Looking at the general trend of migrants in Nepal, males are migrated more in number compared to females. Similar is the case of Putalibazar Municipality, Still the trend of female migration is increasing nowadays. Out of the 170 migrants 65% and 35% are male and female respectively (Table 2, Figure 2)

Table 2

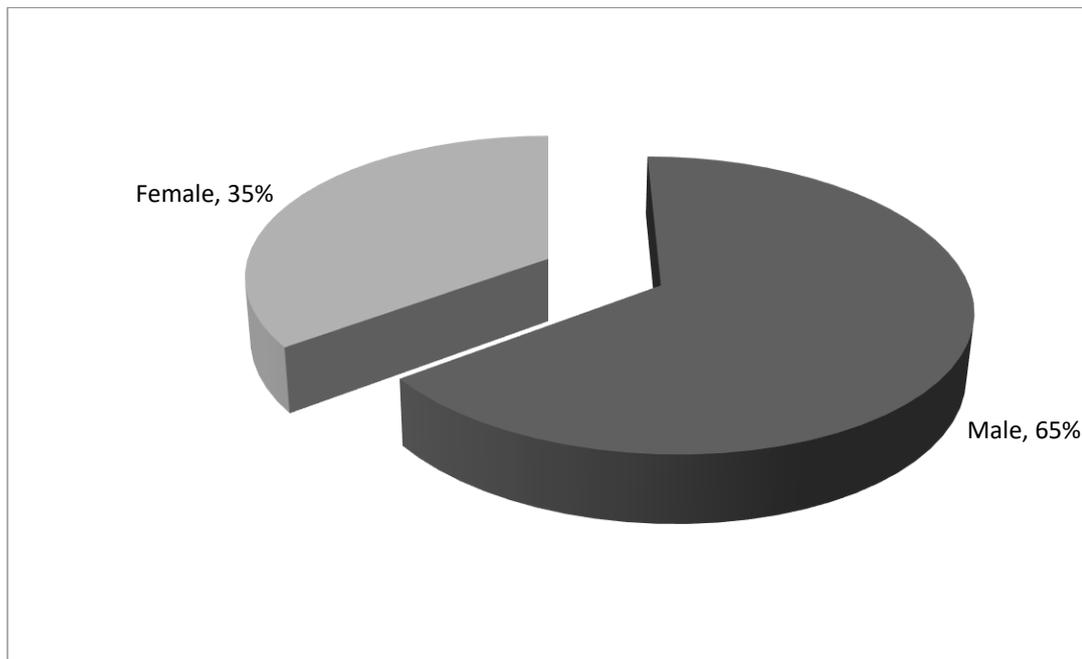
Gender-wise Description of the Migrants

Gender	Number	Percentage
Male	110	65
Female	60	35
Total	170	100

Source: Field Survey, 2017

Figure 2

Gender-wise Description of the Migrants



4.3.2 Age-Wise Distribution Migrant

The data clearly indicates that the largest about 43% of migrants are in the range 30 to 40 and is followed by age ranges 18 to 30 and 40 to 55 with 57 and 33 respectively and the very few only 4% of the migrants are in the age ranges above 55 years.(Table 3, Figure 3).

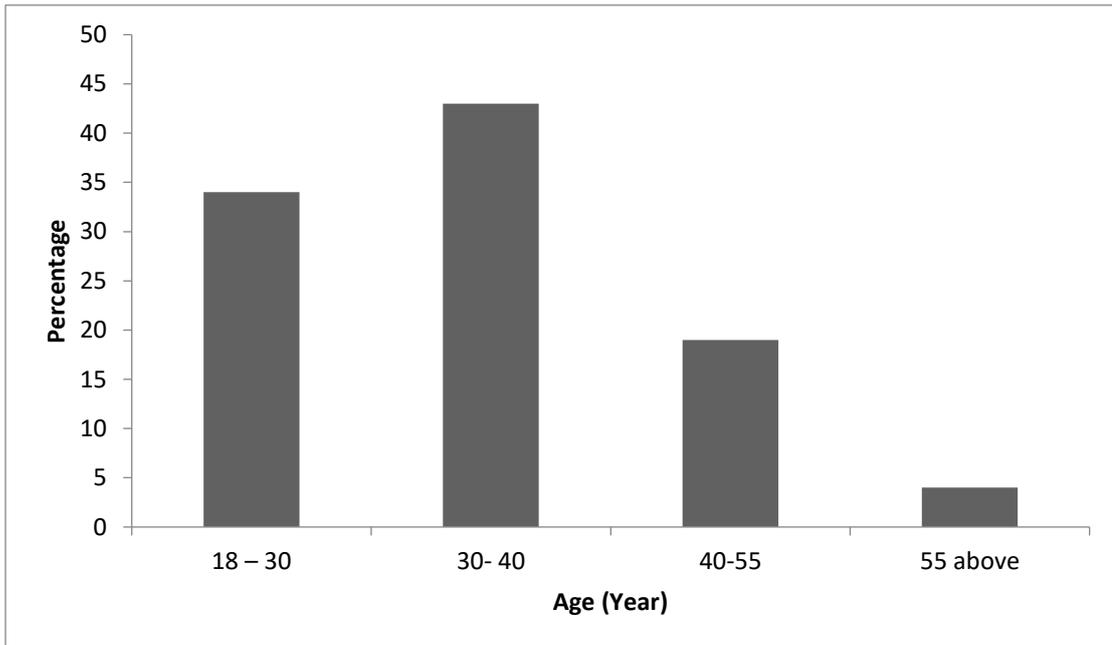
Table 3

Age-wise Distribution of the Migrants

Age (Yr.)	Numbers	Percentage
18 – 30	57	34
30- 40	73	43
40-55	33	19
55 above	7	4
Total	170	100

Source: Field Survey, 2017

Figure 3
Age-wise Distribution of the Migrant



4.3.3 Marital Status of Migrants

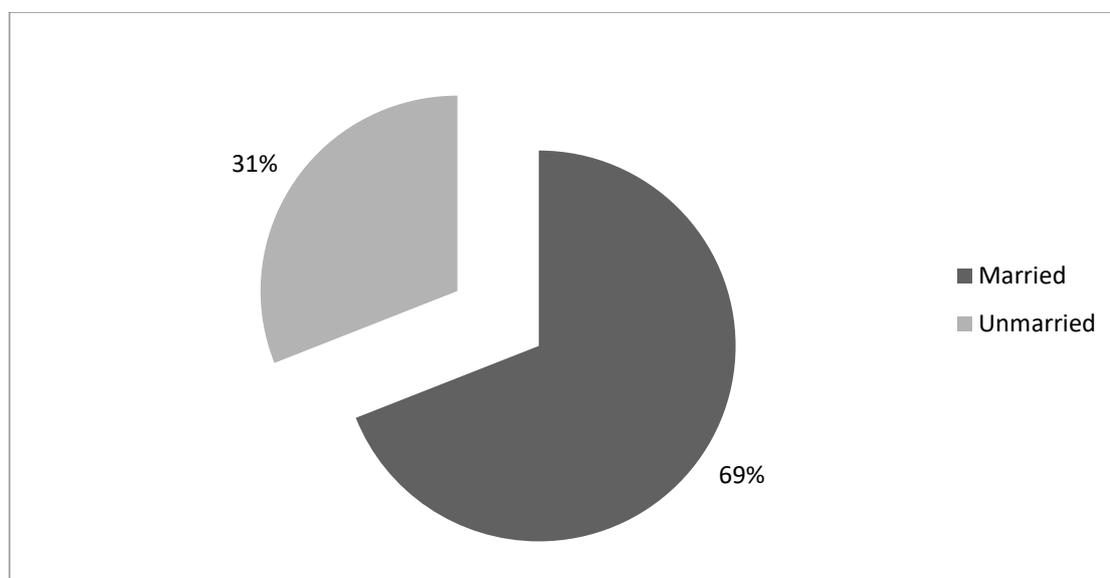
Most of the people are migrated to foreign nation in search of employment to carry out the daily expenses of the households. Looking at the national trend ones the people are married their family responsibility will be higher and this will drive them for foreign employment in search of better earning and fulfill the additional family requirements. The similar practices also found in case of Putalibazar Municipality. many of the unmarried migrants are migrated to foreign for better educational opportunities in foreign land and a remitting money during and after their study. Most of the unmarried migrant are in this category. The actual percentages of married and unmarried migrants are 65% and 35% respectively as shown in the figure and table below (Table 4, Figure 4).

Table 4
Marital Status of Migrants

Marital Status	Number	Percentage
Married	118	69
Unmarried	52	31
Total	170	100

Source: Field Survey, 2017

Figure 4
Marital Status of Migrants



4.3.4 Level of Education of Migrant

The literacy rate is increasing in Nepal; however, there is distinction between this rate in urban population and the rural population. According to Central Bureau of Statistics, the overall literacy rate is 65.9%, where rural rate is 57.4% Vs 75.1% in urban. The following table and figure represents the level of education of the migrants migrated from Putalibazar Municipality (Table 5, Figure 5).

Table 5

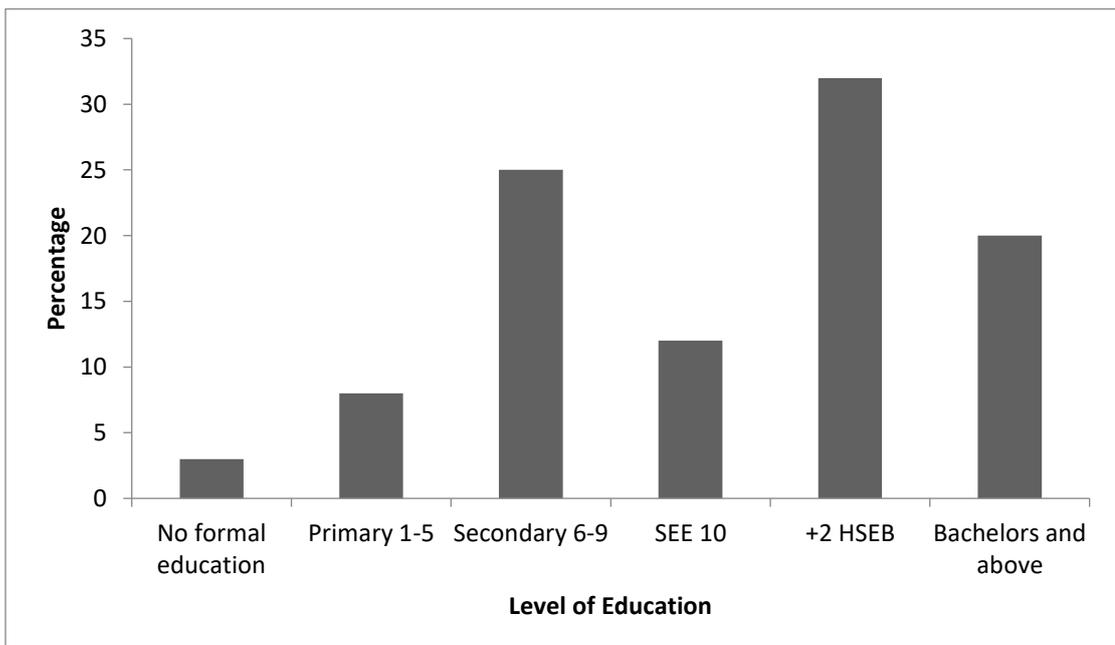
Level of Education of the Migrants

Level of Education	Number	Percentage
No formal education	5	3
Primary 1-5	14	8
Secondary 6-9	43	25
SEE 10	21	12
+2 HSEB	53	32
Bachelors and above	34	20
Total	170	100

Source: Field Survey, 2017

Figure 5

Level of Education of Migrants



4.3.5 Places of migration

Gulf countries are the main destination for the migrants due to easy availability of visas and low cost of entry in comparison to other European and American nations. Similar has been in the case study of the area. Also there are huge number of migrants in India due to free cross boarder movements. we found that 38% of the migrants are migrated to gulf countries and others 18% are migrated to India. Due to EPS Korea migration, many migrants are also migrated to Korea for foreign employment. The study shows that about 4 % of the migrants are migrated to Korea. Now the remaining migrants are migrated to Japan, Europe, America, Australia and others like Norway, New Zealand, Canada etc.12%of migrant have migrated to Malaysia, 5% to Japan, 6% to Europe, 6% to America and remaining 9% in the rest countries. (Table 6, Figure 6)

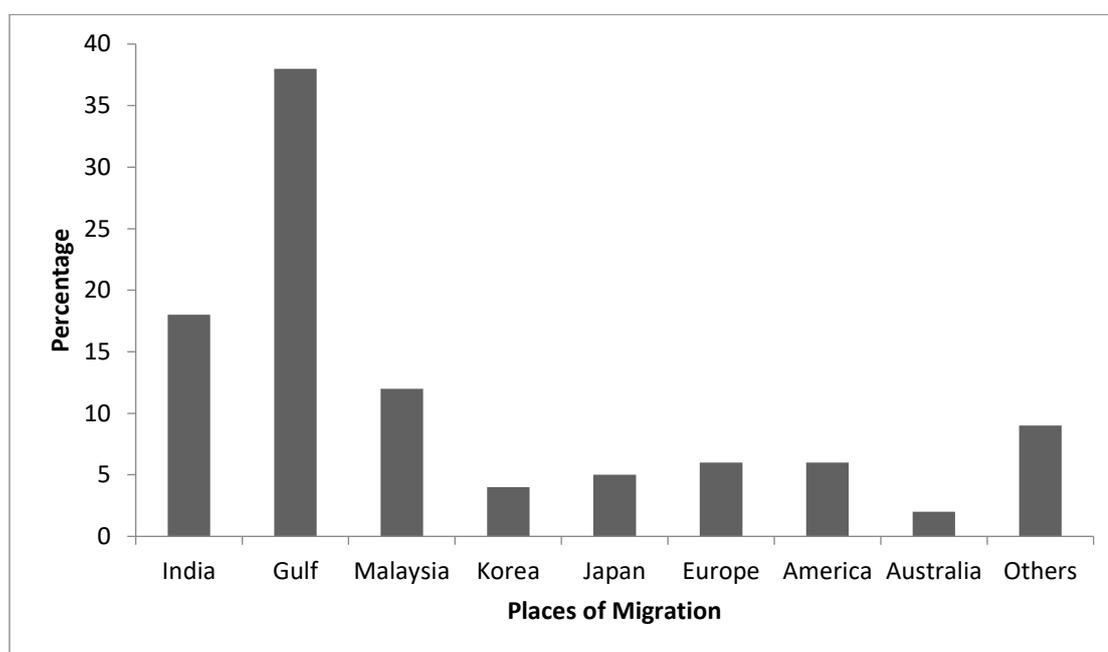
Table 6

Places of Migration

Places of Migration	Numbers	Percentage
India	30	18
Gulf	64	38
Malaysia	20	12
Korea	7	4
Japan	8	5
Europe	10	6
America	10	6
Australia	5	2
Others	16	9
Total	170	100

Source: Field Survey, 2017

Figure 6
Places of Migration



4.3.6 Reasons of Migration

It is obvious that the unemployment is the major cause of migration. Out of 170, 42%, 29%, 18% and 11% are migrated due to employment, poverty, foreign study and others respectively (Table 7, Figure 7).

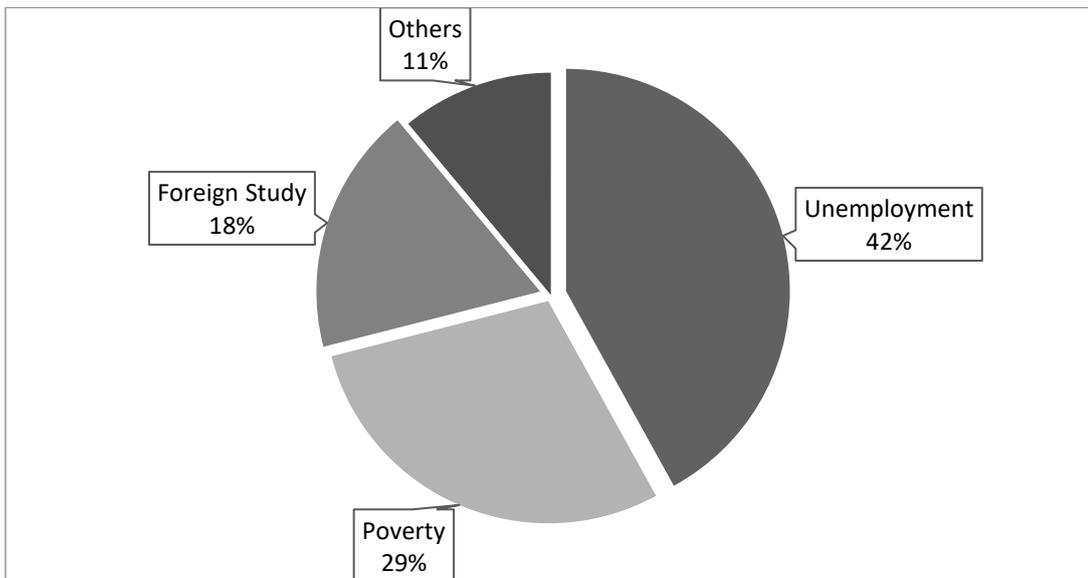
Table 7
Reasons of Migration

Reasons of Migrants	Numbers	Percentage
Unemployment	70	42
Poverty	50	29
Foreign Study	30	18
Others	20	11
Total	170	100

Source: Field Survey, 2017

Figure 7

Reason of Migration



4.3.7 Structure of the House

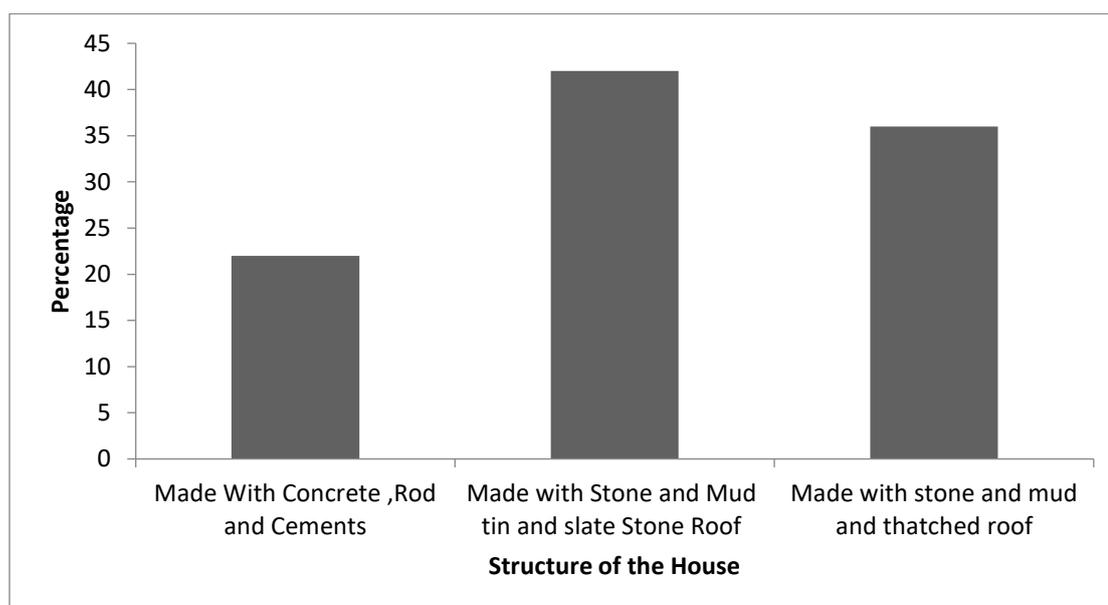
The structure and condition of houses gives a little information about the poverty situation of the sample households. Most of the households had made their house with stone and mud with tin in the roof, which are 36% percent. There are 42% percent houses made up with stone mud and thatched roof, and remaining 21% percent houses are made with Concrete, rod and cements. (Table 8, Figure 8)

Table 8
Structure of the House

Structure of the House	Numbers	Percentage
Made With Concrete ,Rod and Cements	38	22
Made with Stone and Mud tin and slate Stone Roof	72	42
Made with stone and mud and thatched roof	60	36
Total	170	100

Source: Field Survey, 2017

Figure 8
Structure of the House



4.3.8 Use of Land

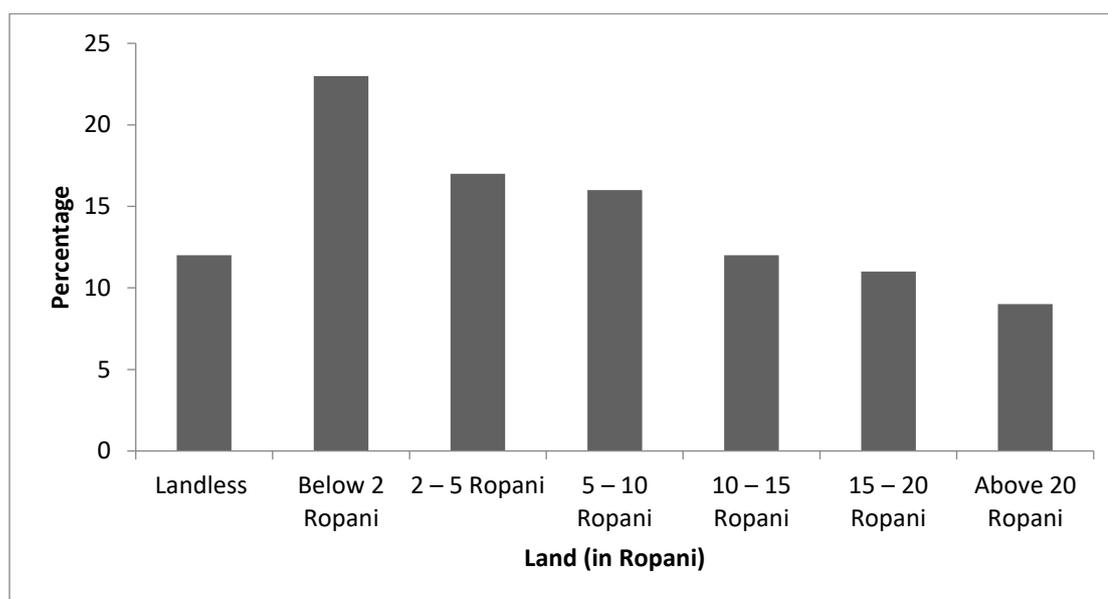
From the sample household, the use of land is measured in the Ropani. There are 12% respondents they are landless. There are 23% household who uses the land less than 2 ropani, 17% uses 2 to 5 ropani, 16% uses 5 to 10 ropani, 12% uses 10 to 15 ropani, 11% uses 15 to 20 ropani and remaining 9% uses more than 20 ropani. (Table 9, Figure 9)

Table 9
Use of Land

Land (In Ropani)	Number	Percentage
Landless	21	12
Below 2 Ropani	39	23
2 – 5 Ropani	29	17
5 – 10 Ropani	27	16
10 – 15 Ropani	21	12
15 – 20 Ropani	19	11
Above 20 Ropani	14	9
Total	170	100

Source: Field Survey, 2017

Figure 9
Use of Land



4.3.9 Occupational Status

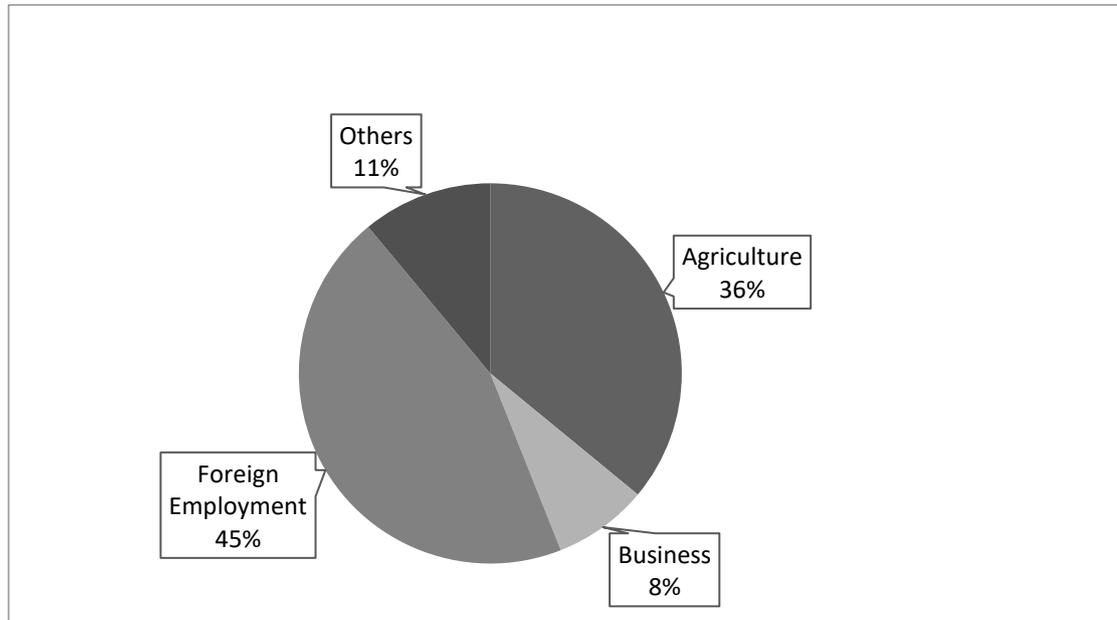
In the case of occupational status, 36%(62) active people from the sample 170 household are engaged in traditional agricultural production. It is very difficult to survive by this occupation. Because of the increasing trend of foreign employment 45%(78) choose the foreign employment. The 8% (12) respondents are doing business and remaining 11% (18) respondents engaged in the other occupation. (Table 10, Figure 10)

Table 10
Occupational Status

Occupation	Number	Percentage
Agriculture	62	36
Business	12	8
Foreign Employment	78	45
Others	18	11
Total	170	100

Source: Field Survey, 2017

Figure 10
Occupational Status



4.3.10 Income of Migrant Workers

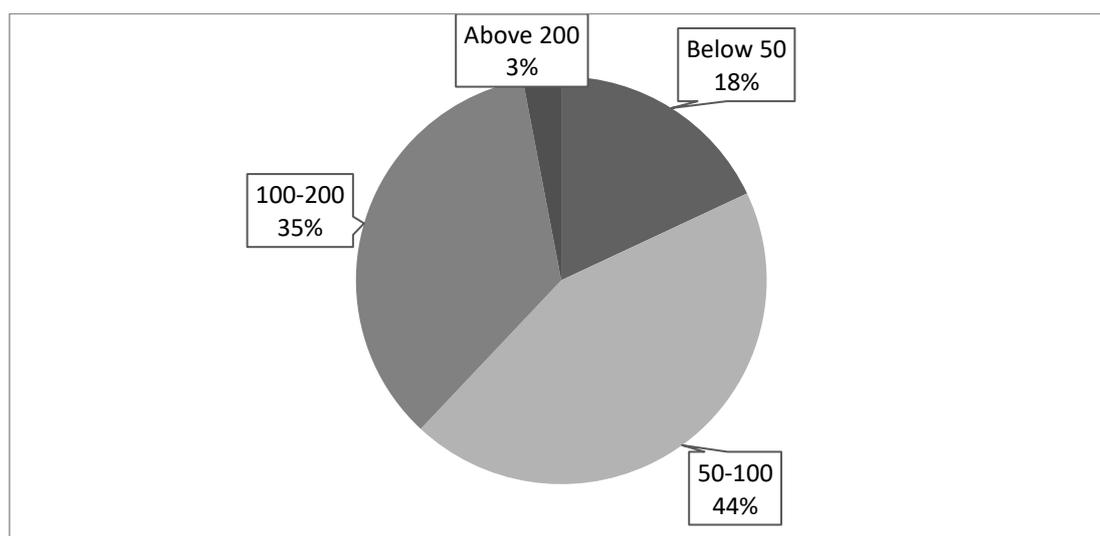
While studying the sampled workers, it is found that 30 workers can earn below Rs 50000 who are in India and Malaysia. Those who are in gulf countries have earned above Rs 50000 to Rs 100000 have major share in remittance income. Recently some works enter into South Korea have good earnings, they can earn Rs 100000 to Rs 200000 per month. There is a sound income of people in other countries like Australia, Europe, American countries etc. can earn above Rs 200000 (Table 11, Figure 11).

Table 11
Income of Migrant Workers

Income (Rs in 000)	Number	Percentage
Below 50	30	18
50-100	75	44
100-200	60	35
Above 200	5	3
Total	170	100

Source: Field Survey, 2017

Figure 11
Income of Migrant Workers



4.3.11 Source of Income

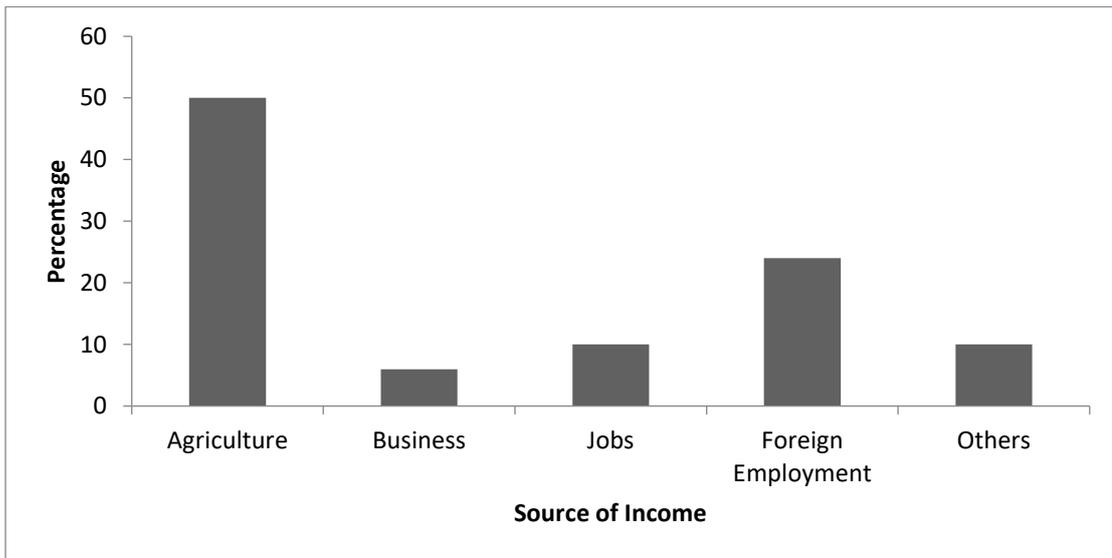
In the study area even though the different people are engaged in the different occupations like agriculture, jobs (government as well as private), business and foreign employment etc. which are the main sources of income of the respondent's family of the study area. It is obtained that agriculture sector is the main sources of income which provide 50 percent of income. Business and foreign employment provide 6% percent and 24 percent of income respectively. Jobs and other sector provide only 10 and 10percent income respectively. (Table 12, Figure 12)

Table 12
Source of Income

Source of Income	Number	Percentage
Agriculture	85	50
Business	11	6
Jobs	16	10
Foreign Employment	40	24
Others	18	10
Total	170	100

Source: Field Survey, 2017

Figure 12
Source of Income



4.3.12 Economic Condition of the Migrant

Economic condition is one of the most important factors of emigration. It is expected that people from lower economic condition (the type of people with problem in fulfilling their basic needs) should seek foreign employment. Mainly the lower economic condition families went to India for foreign employment because of the cost of financing. It is quite high for foreign employment to poor people and may not be able to afford it. In Putalibazar municipality respondents were classified into lower, middle, and high income group according to their own assessment of their economic condition. Among the sample households 36 percent (60) of the household are from lower income group, 42 percent (72) of the respondent are from medium low income group similarly 22 percent (38) respondent are higher income group. (Table 13, Figure 13).

Table 13

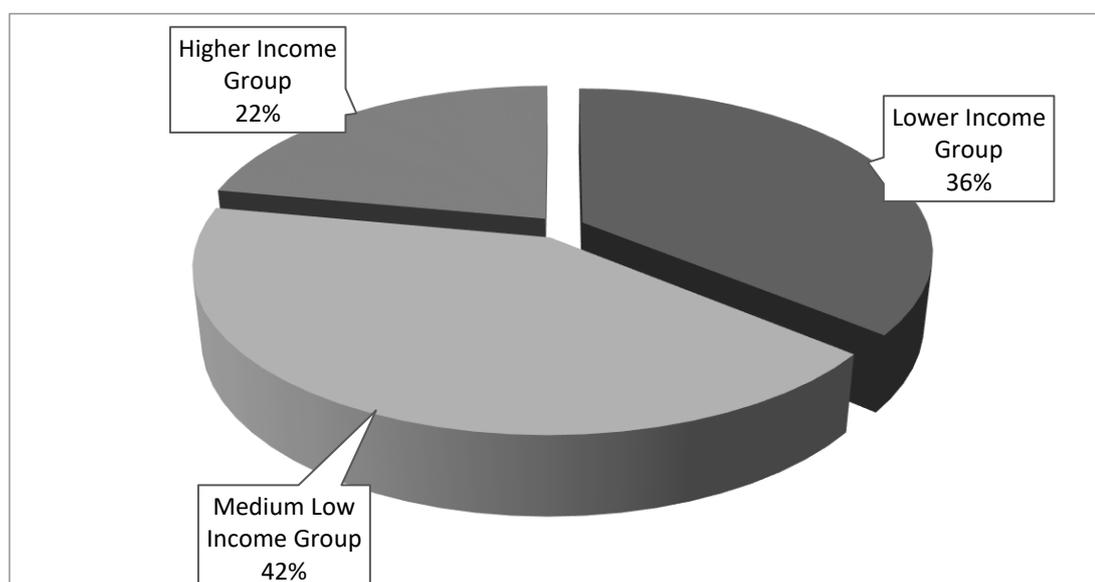
Economic Condition of the Migrant

Economic Condition	Number	Percentage
Lower Income Group	60	36
Medium Low Income Group	72	42
Higher Income Group	38	22
Total	170	100

Source: Field Survey, 2017

Figure 13

Economic Condition of the Migrant



4.3.13 Managing Expenses for Abroad

Most of the migrated workers are managing expenses by taking loan and selling the property. Out of 170 workers, 78 are managing expenses by taking loan, 52,18 and 22 are managing expenses by selling the property, family saving and other sources (Table 14, Figure 14).

Table 14

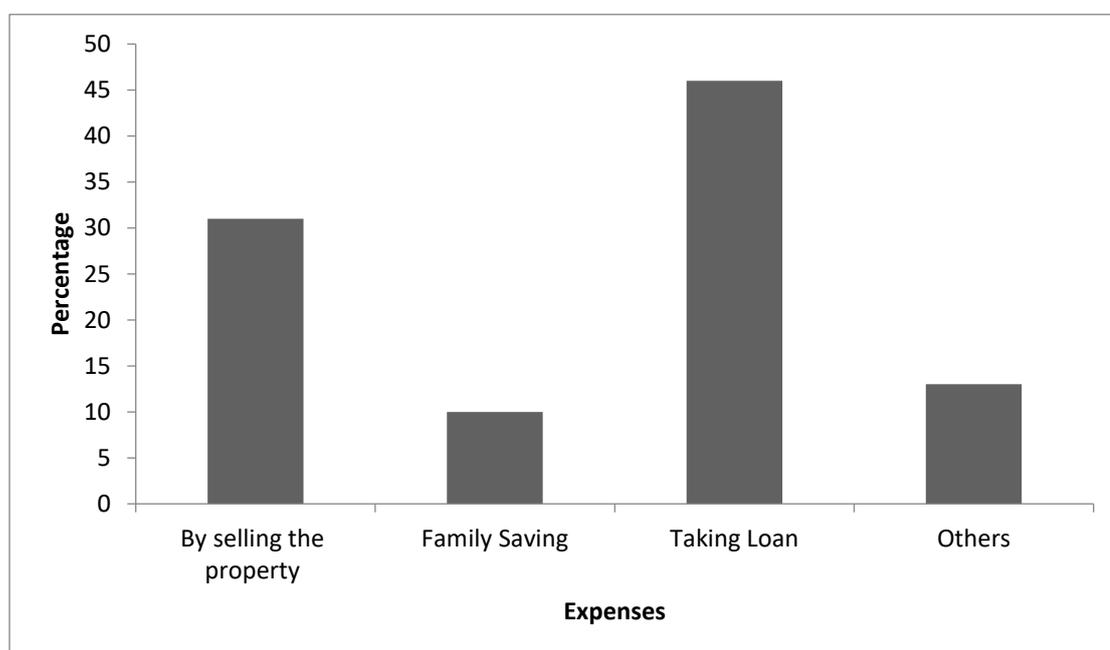
Managing Expenses for Abroad

Expenses	Number	Percentage
By selling the property	52	31
Family Saving	18	10
Taking Loan	78	46
Others	22	13
Total	170	100

Source: Field Survey, 2017

Figure 14

Managing Expenses for Abroad



4.3.14 Work Done by Nepalese People in Foreign

Study reveals that most of the workers are especially in the gulf countries, Malaysia and India as construction labor. It occupies 36% (61). Those who are capable in mechanical sector involved in mechanical jobs which has covered 11%

(18) of the sampled households. Especially the workers from the Korea involved in Agro-farming which occupies 9% of the respondents. Those who are highly skilled engaged in hotel and catering which covered 11% (18) of the respondents and remaining 25% respondents involved in the security guard (Table 15, Figure 15).

Table 15

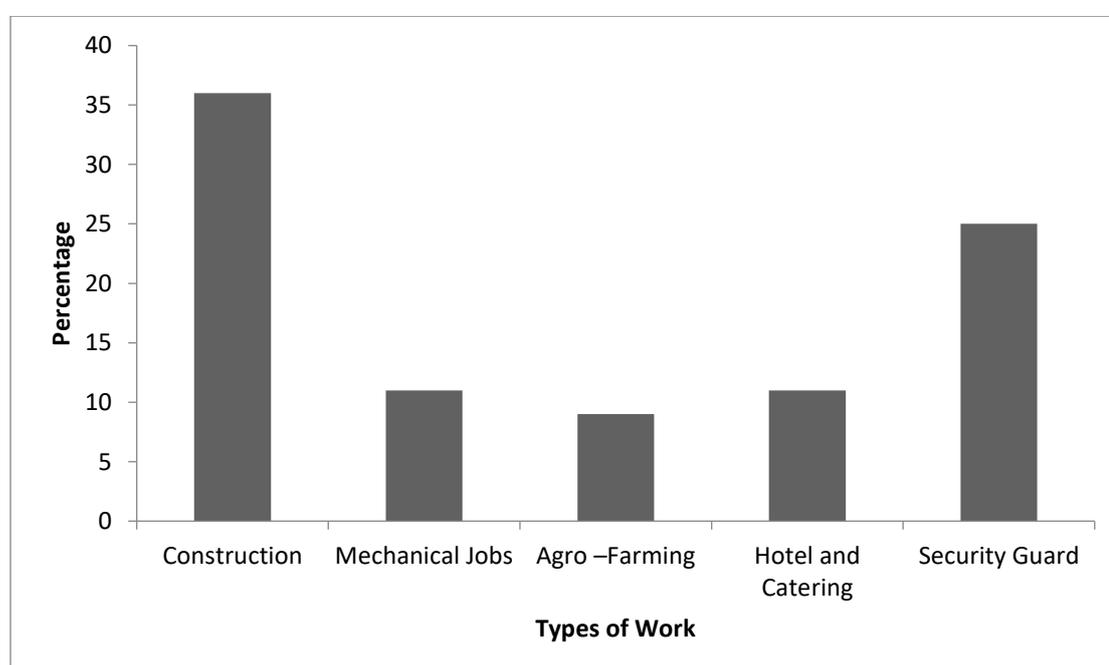
Work Done by Nepalese People in Foreign

Types of work	Number	Percentage
Construction	61	36
Mechanical Jobs	18	11
Agro –Farming	16	9
Hotel and Catering	18	11
Security Guard	44	25
Total	170	100

Source: Field Survey, 2017

Figure 15

Work Done by Nepalese People in Foreign



4.3.15 Use of Remittance

4.3.15.1 Utilization of Remittance

A study reveals that 46% remittance have been for households expenses,31% remittance have been for the repayment of loan,15% have been for investment(land ,shares) and remaining remitted money have been for the social activities. It indicates that ,their active participation in social and constructive works which is helping for the promotion of economic condition of the Putalibazar municipality. (Table 16, Figure 16)

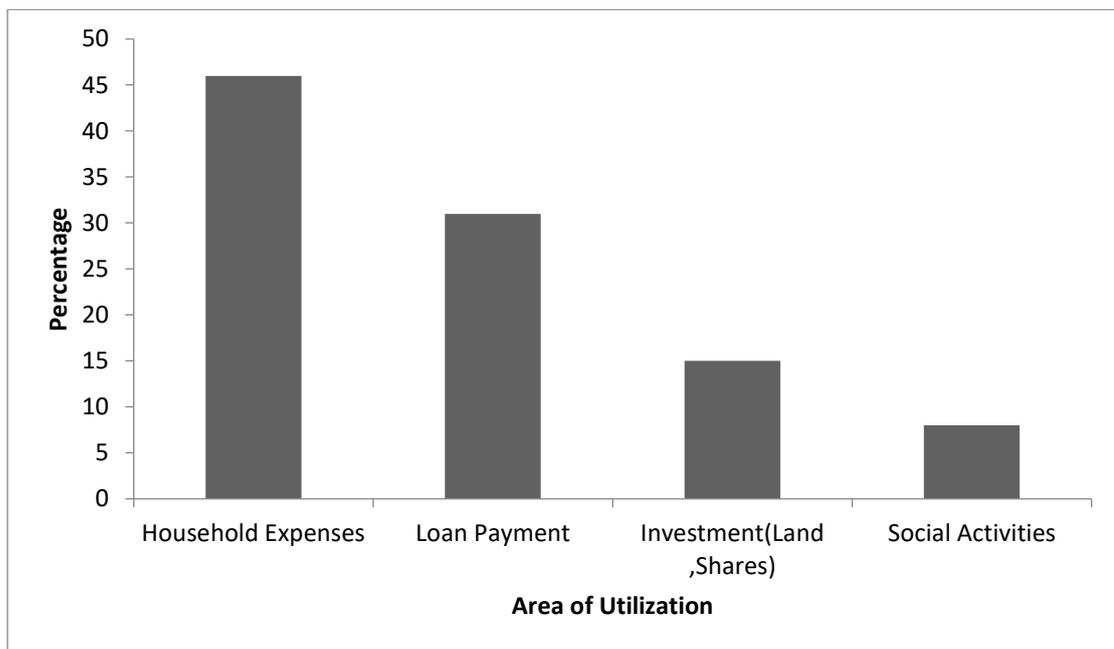
Table 16
Utilization of Remittance

Area of utilization	Number	Percentage
Household Expenses	78	46
Loan Payment	53	31
Investment(Land ,Shares)	26	15
Social Activities	13	8
Total	170	100

Source: Field Survey, 2017

Figure 16

Utilization of Remittance



4.3.15.2 Use of Skill

Due to the advancement of modern technology in different sectors like Hotel, construction side etc, the migrant workers have got field for the use of skill they learnt from the abroad. This study reveals that 58% migrant workers use their skill after coming from the abroad and remaining 42% have not used their skill due to the mentality of going back to the abroad (Table 17, Figure 17).

Table 17

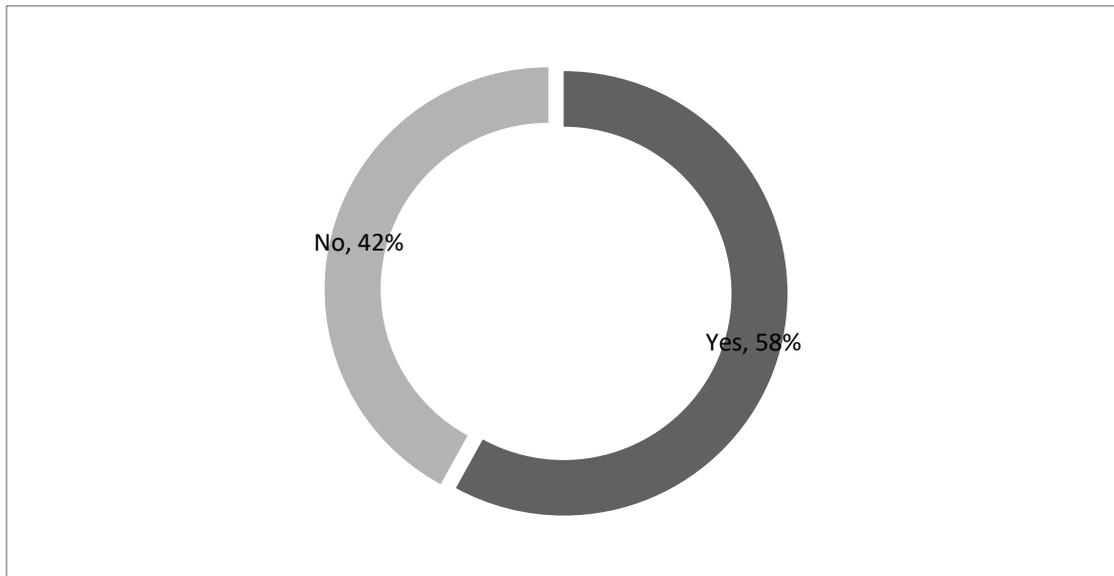
Use of Skill

Use of skill	Number	Percentage
Yes	98	58
No	72	42
Total	170	100

Source: Field Survey, 2017

Figure 17

Use of Skill



4.3.16 Change in Social Indicator

It is often believed that if somebody received foreign employment their HH economy will improve. The change is economic wellbeing in living standard, improvement in skills and social status. If the respondents are able to gain more than the income which is needed to run their family expenses and also to pay their loan principal as well as their interest amount, then only their economic condition is improve and it has positive reduction. To find out the change in HH's economic condition due to the foreign employment the respondents were ask to give their own judgement about their economic condition after the foreign employment. The above table shows that 18% of the respondent that reported that their economic status is increased due to foreign employment. Only 3% of respondents replied that their economics status is same after the foreign employment. Only 6% of the respondent's economic status has decreased due to the foreign employment, it means that they had

increased the some of the family debt for the reason of foreign employment. The decrement in economic status might have been resulted with the high cost and low pay in foreign employment. Another 25% of the respondents had increased their standards of living, only 11% of the respondents had replied that their standard of living remained same and 5% respondents said that their standard of living is decreased after returning from foreign employment due to increment in family debt. In the context of social attitude about 6% of the respondents Increased due to foreign employment. Social attitude remained same but social attitude of no any family has decreased due to the foreign employment. In another aspect of foreign employment 11% of the respondents has learnt some skills their either It may be useful here or not. The rest 7% of the respondents replied that they did not learn any new skills while working abroad (Table 18, Figure 18).

Table 18

Change in Social Indicator

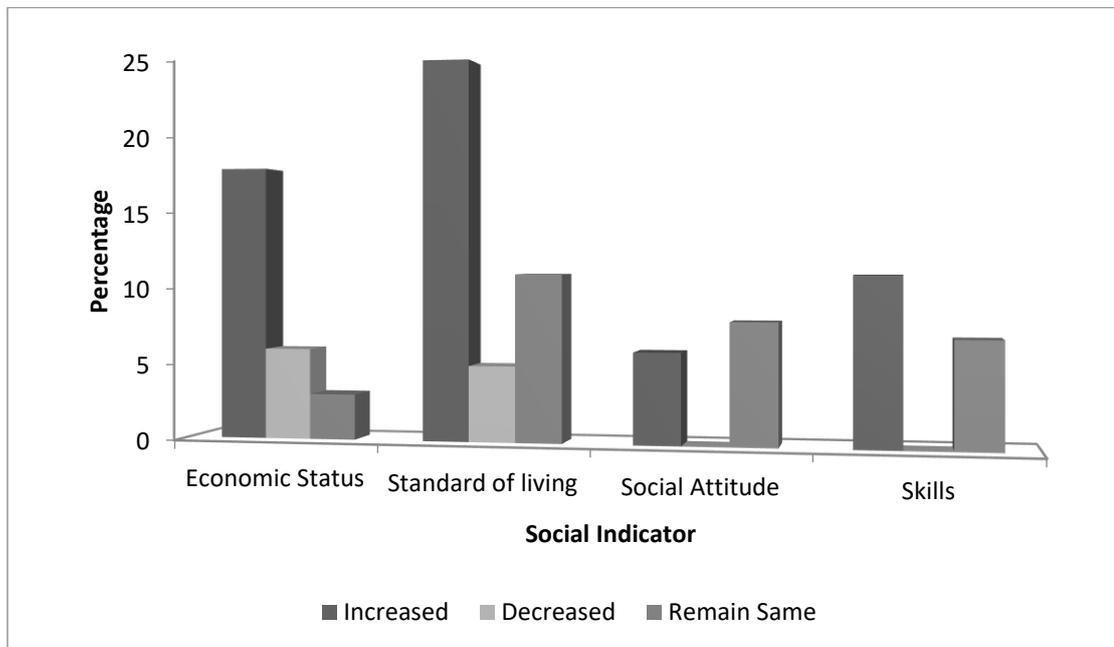
Social Indicator	Increased	Decrease	Remain Same	Total
	Number	Number	Number	Number
Economic Status	31 (18)*	11 (6)*	5 (3)*	47 (27)
Standard of living	42 (25)	8 (5)	18 (11)	68 (41)
Social Attitude	10 (6)	0	13 (8)	23 (14)
Skills	18 (11)	0	14 (7)	32 (18)
Total	101 (60)	19 (11)	50 (29)	170 (100)

Source: Field Survey, 2017

* indicates the percentage.

Figure 18

Change in Social Indicator



4.3.17 Channel used for Sending the Remittance

This Study shows, remittance that enters through the different medium like banks and other financial institution, micro credit, relatives and friends and others. While studying, it is found that the largest amount of remittance have been received through Banks, 26% workers are used to send their earning through microcredit, only 2% remittance has been entered through relatives and 35% remitted money has been received from the other channels like IME, Himal remit, Prabhu money transfer, Western union money transfer and other so many money transfer companies (Table 19, Figure 19).

Table 19

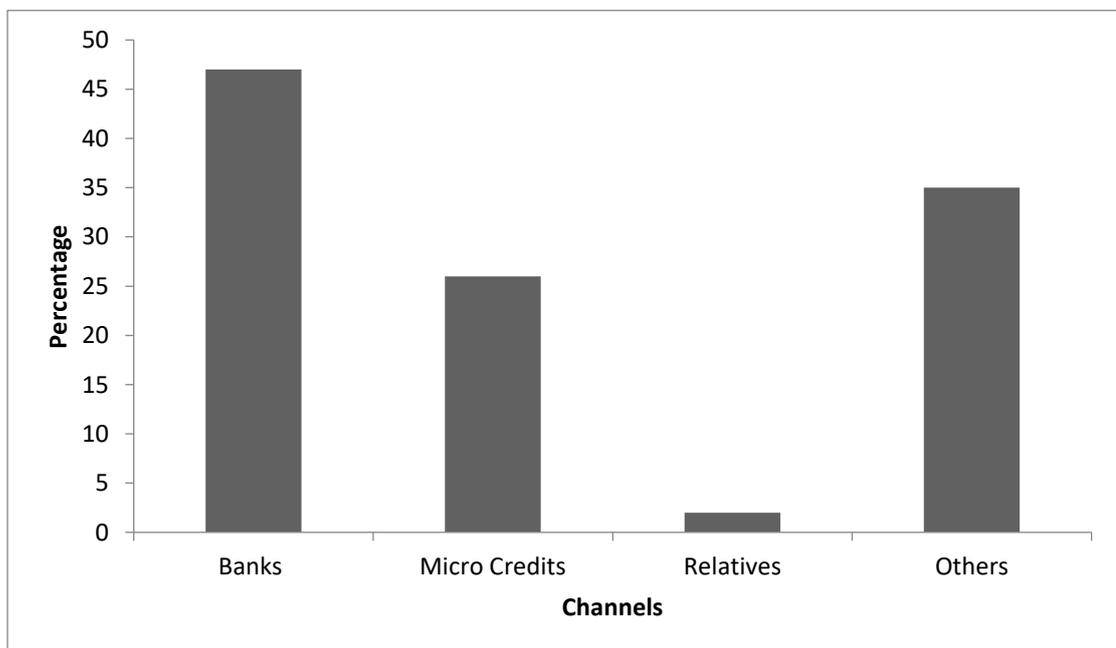
Channel Used for Sending the Remittance

Channels	Number	Percentage
Banks	80	47
Micro Credits	26	26
Relatives	4	2
Others	60	35
Total	170	100

Source: Field Survey, 2017

Figure 19

Channel Used for Sending the Remittance



4.3.18 Status of Sending Electronic Gadgets

Foreign employment is the major source of sending electronic gadgets. From the sampled households, 75% (127) workers are used to send the electronic gadgets and

remaining 25%(43) workers are not used to send the electronic gadgets (Table20, Figure 20).

Table 20

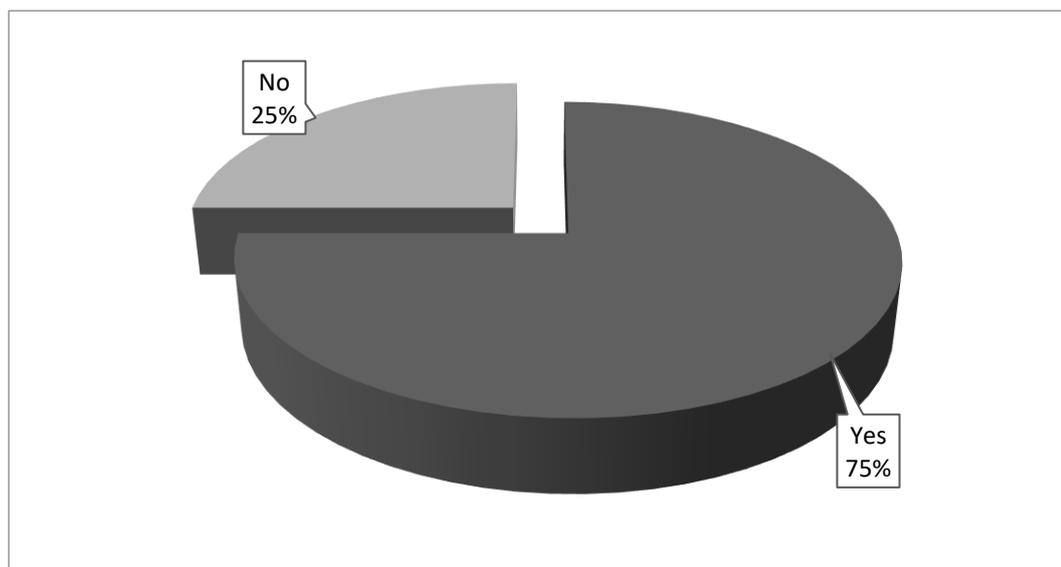
Status of Sending Electronic Gadgets

Status of sending electronic gadgets	Number	Percentage
Yes	127	75
No	43	25
Total	170	100

Source: Field Survey, 2017

Figure 20

Channel Used for Sending the Remittance



4.3.18.1 Types of electronic gadgets

Foreign job is considered as one of the major agent to have comfortable life. From the sampled households 72% use to send the mobile,9%use to send Audio/Video player and remaining 19% send other electronic gadgets like laptop, washing machine, television etc. (Table 21, Figure 21).

Table 21

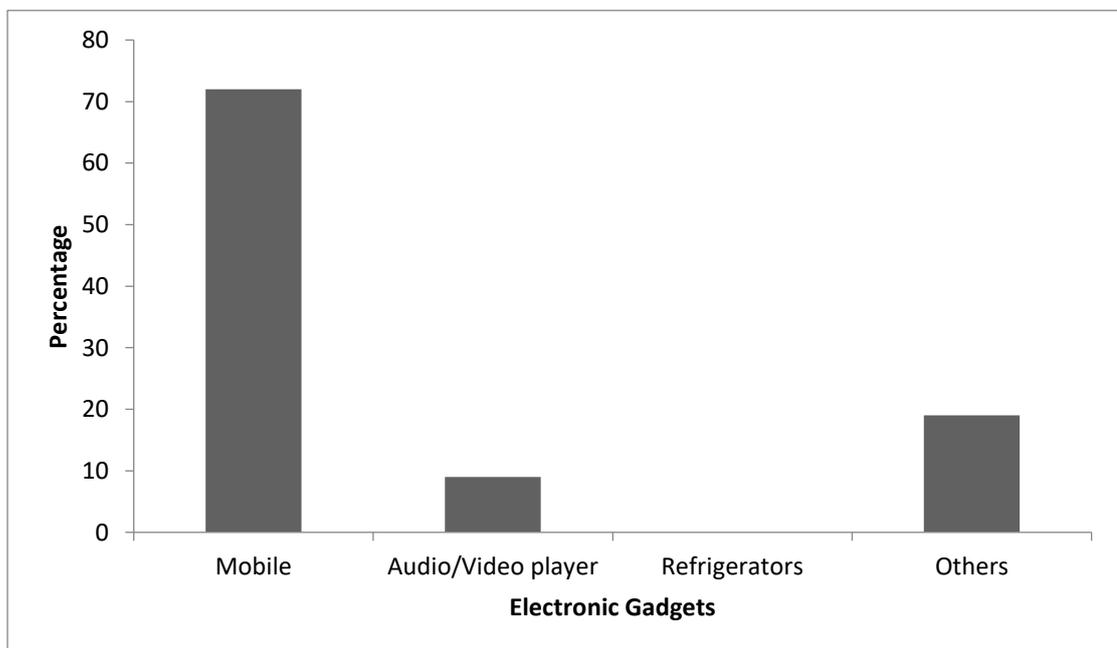
Types of Electronic Gadgets

Electronic Gadgets	Number	Percentage
Mobile	91	72
Audio/Video player	12	9
Refrigerators	0	0
Others	24	19
Total	127	100

Source: Field Survey, 2017

Figure 21

Types of Electronic Gadgets



4.4 The relationship between social indicator and change in social indicator

The hypothesis about the association between social indicators has been tested by using chi-square test. The calculated value of χ^2 is 27.7341 which is greater than the critical value of χ^2 at 5% level of significance with 11 degrees of freedom. It shows there is significant relationship between social indicate and change in social indicator in study reveal (appendix II).

4.5 Regression Model

4.5.1 Regression Model of Economic Status on Level of Education

The regression equation of economic status on level of education shows that correlation coefficient, coefficient of determination and adjusted coefficient of determination are very. It t- value of the coefficient and f- ratio are also very low. The model is not good fit.

Model 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.221 ^a	.049	.028	.834

a. Predictors: (Constant), Level of education

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.647	1	1.647	2.366	.131 ^b
	Residual	32.020	46	.696		
	Total	33.667	47			

a. Dependent Variable: Economic Status

b. Predictors: (Constant), Level of education

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.094	.242		.388	.700
	Level of education	.142	.092	.221	1.538	.131

a. Dependent Variable: Economic Status

4.5.2 Regression model of economic status on income of migrant workers:

The regression equation of economic status on income of migrant workers explicit that coefficient of correlation, coefficient of determination, coefficient of adjusted determination is found to be 0.56, 0.256 and 0.240 which are low. But t-

value of the regression coefficient is significant indicating that effect of income of workers has significant effect on economic status of the migrants. F-test shows that the model is good fit.

Model 3:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.506 ^a	.256	.240	.738

a. Predictors: (Constant), Income of migrant workers

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.610	1	8.610	15.805	.000 ^b
	Residual	25.057	46	.545		
	Total	33.667	47			

a. Dependent Variable: Economic Status

b. Predictors: (Constant), Income of migrant workers

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.711	.303		-2.346	.023
	Income of migrant workers	.547	.137	.506	3.976	.000

a. Dependent Variable: Economic Status

4.5.3 Regression model of economic status on places of migration

The regression equation of economic status on places of migration shows that correlation coefficient, coefficient of determination and adjusted coefficient of determination are very. It t- value of the coefficient and f- ratio are also very low. The model is not good fit.

Model 4:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.166 ^a	.028	.006	.844

a. Predictors: (Constant), Places of migration

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.927	1	.927	1.303	.260 ^b
	Residual	32.740	46	.712		
	Total	33.667	47			

a. Dependent Variable: Economic Status

b. Predictors: (Constant), Places of migration

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.179	.241		.741	.463
	Places of migration	.049	.043	.166	1.141	.260

a. Dependent Variable: Economic Status

4.5.4 Regression equation of economic status on income of migrant workers, places of migration and level of education

The regression equation of economic status on income of migrant workers, places of migration and level of education shows that correlation coefficient, coefficient of multiple determination and adjusted coefficient of multiple determination are found to be 0.533, 0.284 and 0.235 respectively.

The coefficient level of education and places of migration are insignificant but the coefficient of income of migrant workers is found to be significant. The F-test is significant which shows the regression model is good fit.

Model 5:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.533 ^a	.284	.235	.740

a. Predictors: (Constant), Income of migrant workers, Places of migration, Level of education

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.546	3	3.182	5.805	.002 ^b
	Residual	24.120	44	.548		
	Total	33.667	47			

a. Dependent Variable: Economic Status

b. Predictors: (Constant), Income of migrant workers, Places of migration, Level of education

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.961	.360		2.666	.011
Level of education	.079	.084	.123	.936	.354
Places of migration	.028	.038	.096	.738	.464
Income of migrant workers	.514	.140	.475	3.663	.001

a. Dependent Variable: Economic Status

4.6 Findings of the Study

Foreign labor market is a lucrative destination of developing countries to solve the increasing unemployment problem for the short term. Recently published preliminary data of the census 2011 shows that about 2 million people are absent from country. Data shows that number of female is about 3% more than male. The main cause of it is also foreign employment. But it is not long term solution whenever the

incoming remittance is not utilizing in productive sectors. People who engaged in foreign employment on four things earn i.e remittance, knowledge, good posture and skill to perform special task. The remittance contributes more than 26 percent share of GDP of the country. It is sure that the remitted money promotes the living standard of the respected family and countries economic activities have been increasing. The following facts have been found in the Study.

- i. The regression equation of GDP on remittance of the 15 years of Nepal shows that remittance has significant effect on GDP. The coefficient of regression is highly significant. Similarly, the f value is also highly significant which shows that the regression model of GDP on remittance is good fit.
- ii. The trend line of ratio of remittance to GDP for 15 years shows the annual increase in the ration of remittance to GDP is found to be 1.47% per year.
- iii. Total 690 people are employed in foreign countries among them the largest number of workers is in gulf countries and second largest are in India. Malaysia stands in third position where least number of employees in Australia. Out of them, 170 workers were taken as sample on the basis of stratified sampling. While taking samples 38% are taken from gulf countries. 18% are in India, 12% are in Malaysia. Similarly, 4% are from Korea. 6,6 and 9 percentages are sampled from Europe, America and others respectively. Likewise, 5% and 2% from Japan and Australia.
- iv. The majority of foreign employees 65% are males and only 35% are females. It shows that the males are accountable for the economic management for the fulfillment of families need where females remain busy in household works and taking care for their children.

- v. Out of 170 workers, 43% are in the age group 30-40, 34% in the age group 18-30, 19% are in the age group 40-55 and remaining 4% are in the age group 55 and above. It shows that active population are more engaged in foreign employment and exchanging their sweat and aspirations in foreign land. Only persons of below 16 who don't get passport due to their minor age and above 60 who can't work effectively in municipality.
- vi. It reveals that mostly married ones are in foreign employment. Perhaps it might be the cause that married have more responsibilities to fulfill their families' basic needs and they become more accountable in comparison to unmarried and go to different countries in search of employment opportunities. Out of 170 Workers, 69% are Married and remaining 31% are unmarried.
- vii. This study reveals that the workers who are getting secondary level are more migrated towards the foreign employment. Out of 170 workers ,25%, 12%, 8% and 3% are getting secondary level, SEE, primary and formal education. This data indicates the more employers of foreign employment from the Putalibazar municipality are getting medium level of education.
- viii. Most of the workers are especially in gulf countries, Malaysia and India as construction workers. It occupies 36% those who are capable in mechanical sector involved in mechanical jobs which has covered 11% of the sampled households. Especially the workers from the Korea involved in Agro-farming which occupies 9% of the respondents. Those who are highly skilled engaged in hotel and catering which covered 11% of the respondents and remaining 25% respondents involved in the security guard.

- ix. The structure and condition of houses gives a little information about the poverty situation of the sample Workers. Most of the workers had made their house with stone and mud with tin in the roof, which are 36% percent. There are 42% percent houses made up with stone mud and thatched roof, and remaining 21% percent houses are made with Concrete, rod and cements. The structure and condition of the house defines the family level of the workers. This data reveals that most of the sampled workers are from the middle level family.
- x. In the case of occupational status, 36% active people from the sample 170 household are engaged in traditional agricultural production. It is very difficult to survive by this occupation. Because of the increasing trend of foreign employment 45% choose the foreign employment. The 8% respondents are doing business and remaining 11% respondents engaged in the other occupation.
- xi. It is found that the different people are engaged in the different occupations like agriculture, jobs (government as well as private), business and foreign employment etc., which are the main sources of income of the workers' family of the study area. It is obtained that agriculture sector is the main sources of income which provide 50 percent of income. Business and foreign employment provide 6 percent and 24 percent of income respectively. Jobs and other sector provide only 10 and 10 percent income respectively.
- xii. This study shows that among the 170 sampled workers, 30 workers can earn below 50000 who are in India and Malaysia. Those who are in gulf countries have earned above 50000 to 100000 have major share in remittance income. Recently some workers enter into south Korea have good earnings, they can

earn 100000 to 200000 per month. There is a sound income of people in other countries like Australia, Europe, American countries etc can earn above 200000.

- xiii. This study reveals that large portion of remittance is used for household expenses (46%) and loan payment (31%) which are unproductive sector. Another side 15 % remittance income is used for investment which is productive sector. Remaining 8% remitted income have been for the social activities. It indicates that, their active participation in social and constructive work which is helping for the promotion of economic condition of the Putalibazar Municipality.
- xiv. Foreign job is considered as one of the major agent to have luxurious life. It increases the use of electronic gadget such as mobile phone, audio video player, refrigerator and so on.
- xv. Remittance enters through different medium like banks and other financial institution, micro credit, relatives and others. The largest amount of remittance receipt through banks. Now days increasing trend of money transfer through different channel like IME, Micro credit, western union money transfer etc are the another major medium of sending remittance.
- xvi. This study reveals that people from lower economic condition (the type of people with problem in fulfilling their basic needs) should seek foreign employment. Mainly the lower economic condition families went to India for foreign employment because of the cost of financing. It is quite high for foreign employment to poor people and may not be able to afford it. In Putalibazar municipality respondents were classified into lower, middle, and

high income group according to their own assessment of their economic condition.

- xvii. This study shows that the change is economic wellbeing in living standard, improvement in skills and social status. If the respondents are able to gain more than the income which is needed to run their family expenses and also to pay their loan principal as well as their interest amount, then only their economic condition is improve and it has positive reduction. The decrement in economic status might have been resulted with the high cost and low pay in foreign employment.
- xviii. This study shows that most of the migrated workers of the Putalibazar Municipality are migrated due to the unemployment and poverty. It shows the poverty and unemployment is one of the major reason of foreign employment.
- xix. The regression equation of economic status on level of education shows that correlation coefficient, coefficient of determination and adjusted coefficient of determination are very. It t- value of the coefficient and f- ratio are also very low. The model is not good fit.
- xx. The regression equation of economic status on income of migrant workers is indicating that effect of income of workers has significant effect on economic status of the migrants.
- xxi. The regression equation of economic status on places of migration shows that effect of places of migration has not significant effect on economic status of the migrants.
- xxii. The coefficient level of education and places of migration are insignificant but the coefficient of income of migrant workers is found to be significant. The F-test is significant which shows the regression model is good fit.

CHAPTER V

SUMMARY AND CONCLUSIONS

5.1 Summary

Remittance economy has become a major phenomenon in international finance since past few years. At present, the magnitude of remittance has stepped up rapidly. It is due to the nature of globalization that people began to cross the border easily is demand of workers in foreign countries is rising.

The first chapter summarize that the remittance is more transformed from one individual to another. International remittances are transfer of funds by foreign workers who are living and Remittances have increased significantly and become a major source of income for developing countries. The global trend of remittance recorded more than thrice as large as official aid. Nearly two third of foreign direct investment flows to developing countries (IFAD Report, 2007) foreign direct. About 3.3 percent (762181) people are absent (CBS, 2001). For the short term solution of the unemployment problem, Nepal has made different labor agreements with many countries. According to the data of Foreign Employment Management Office per year about three lakh Nepalese have gone outside the country for employment. This was the trend even in the last years too. The outgoing figure was not less than this. For foreign employment, Gulfs countries and Malaysia are the prime destinations after India. Among the total number of international migrants, more than fifty percent have migrated to India. Because of its proximity, free movement and no work barriers, India is the main destination for international migrants for Nepali people.

The second chapter is related to the literature review of the related matter remittance income and it summarize that remittance is playing vital role for rising per capita income mainly by increasing its inflow that has pushed down the level of poverty by a remarkable way (42-30 percent) during the last six years, according to preliminary results of survey made by central bureau of statistics(NLSS II, 2004).At present Government of Nepal has formally opened 107 countries on institutional basis for sending labors in foreign employment, feeling remittance as a key factor to decline poverty in 19 percent by the year 2015 AD.

The 4th chapter contains presentation, analytical part of the remittance money and its impacts of respective areas and hypothesis testing and it summarized that about 65% of the households receive remittance, average income transfer in the form of remittance is Rs 97,795 per recipient household. The total amount of remittance in the country is estimated at Rs 259 billion. Of the total remittance 77% are transferred by person,19% by financial institution,2% via hundi and 2% from other means like IME etc. 79% of the total remittance received by the household is used for daily consumption, 7% use for loan repayment, household property 4%, education4%, capital formation 2% and 4% in Other Areas.

The summary of remittance inflow with annual percentage change. In FY year 2002/03, the total remittance inflow in Nepal was Rs 54.2 billion followed by Rs 58.6 billion and rs 65.5 billion in FYs 2003/04 and 2004/05 respectively. In FY 2005/06, the inflow of remittance increased significantly by 49.0% with Rs 97.7 billion. The inflow of remittance is continuously increasing due to expansion in foreign employment. In FYs 2009/10 and 2010/11, the inflow of remittance has increases by small percentage due to global economic recession started in USA from the business

of land and housing. Due to the improvement of US economy, the foreign employment of Nepal has again increased which resulted in more inflow of in FY 2011/12. IN comparison to the FY, the inflow of remittance has increased by more than 41.0% in 2011/12. In FY 2016/17, the inflow of remittance is Rs 699 billion, which is just more than 5% than the previous year.

The major contributor to total remittance is external labor migration. The remittance has contributed to GDP by 17.5 percent taking second place after the agriculture sector during the fiscal Year 2062/63. Remittance has also shown positive impact on the PCI but it is comparatively low about 4% in nominal and 1% in real term.

According to Labor Survey 11, 2008/09, the proportions of households in Nepal are receiving remittance (from either an absentee or from another person) 30 percent of all households. Most remittance incomes received from outside Nepal (including India, Saudi Arabia, Malaysia, Qatar etc.) with 83.2 percent of all remittance income. The share of remittance received from abroad comprised of 21.3 percent from Qatar and followed by 19.2 percent from Malaysia. Similarly, data revealed that 14.9% percent ,13.4% ,2.2% and 29% percent from Saudi Arabia, India, United Kingdom and other country respectively.

With a rising population of more than 215 million international migrants the world, remittance received by developing countries alone are estimated to be to the tune of \$ 325 billion in 2010. In 2010 worldwide remittance flows are estimated to have exceeded \$ 440 billion. From the amount, developing countries received \$ 325 billion, which is an increase of 6 per cent from the 2009. Migrant workers' remittance is a strong source of foreign exchange earnings for is estimated that in 2004 money transferred from migrant Nepalese have Nepal.

We found that the remittance money has become a crucial component of Nepalese economy. The remittance has contributed much too maintained Nepal's BOP position favorable. Not only this, this sector has become one of the prime sources of foreign currency earning and mitigating, ever growing imports bills for Nepal .The expansion of banking and financial sector has been possible due to presence of remittance in Nepal.

The regression equation of GDP on remittance of the 15 years of Nepal shows that remittance has significant effect on GDP. The trend line of ratio of remittance to GDP for 15 years shows the annual increase in the ratio of remittance to GDP is found to be 1.47% per year.

Total 670 people from Putalibazar Municipality are employed in foreign countries. Among them the largest number of workers is in Gulfs countries and second largest are in India. Malaysia stands in third position whereas; the least number of employees is in Australia. It is found that 32 workers earn below Fifty thousand rupees.. Recently some workers arc entered into South Korea have good earnings. They can earn more than one hundred thousand rupees per months. There is a European and American sound income of people in other countries like Australia, countries but due to less number of remitter there is a nominal share in terms of total percent of income.

5.2 Conclusions

It is found that Nepal receives billions of remittance in a year which becomes a major part of Nepalese economy.

On the basis of the findings of the research, the following recommendations are suggested regarding the remittance income and its significance in the development of people and entire economy of the country.

Foreign labor market is a lucrative for developing country, Nepal to solve the increasing unemployment problem and has 23 percent shares in the country's GDP. About 3 million Nepalese are in abroad working and pushing foreign currencies at any kind. Many of the Nepalese are going abroad through illegal channels due to which they are easily duped and cheated. Unskilled and crude Nepalese in abroad for employment are working within the low salaries. Especially in India and Gulf countries, people are involving in very risky jobs. Because of lack of knowledge and orientation about work, Nepali worker's income is less comparison to other SAARC countries. Remittance is an important in Nepalese economy. It has positive impacts on living standard of people. The poverty rate decline because of remittance income. Banks and financial institutions are centralizing in urban areas which compel them to remit the money through highly risky channels. The preliminary data of census 2011 has shown population of mountain and Himalayan region is decreasing because of increasing income due to foreign employment. The trend line of ratio of remittance to GDP for 15 years shows the annual increase in the ratio of remittance to GDP is found to be 1.47% per year.

5.3 Recommendations

This case study is based on the data collected from the field survey of putalibazar municipality has found that remittance is the most important source of income in the rural household economy. Although the majority of people in the rural area are involved in agriculture, their farm production is narrow due to which their

requirements have not been fulfilled from the farm incomes. In such a situation, remittance has become an alternative source for the villagers to sustain their lives. People who are socio economically poor in status with low level of education are willing to go to foreign countries. In addition to these the highly educated are also compelled to migrate abroad due to the slow expansion of service sector with in the nation. There is no doubt, about the influential role of remittance in the economic development of the nation. The concern authorities are formulating various plans and policies for its better management but till now it is not given proper direction. That's why there are always issues around foreign labor migration. When 12 Nepali workers were taken hostage and killed brutally in Iraq in 2004 by a Muslim extremist group, it indicated high risk picture in this sector. This was a sever breach of Nepalese law as labor migration to countries where there is no governmental provision is officially banned. It was followed by attacks on the down town office of Qatar Airlines, a local mosque and against several manpower agencies and then days of curfew in Kathmandu. This incident fuelled many discussions about the risk as well as benefits of foreign labor migration. Besides this incident, Nepalese workers become victims of several other types of accidents and household violence. That should be concerned very workers become effectively by the government in time.

Similarly, the biggest contribution of remittance has been found to the welfare and improved livelihood of remittance receiving households in terms of basic needs, better health and education and to a smaller extent in terms of saving. Hence it is essential to understand that only meaningful utilization of remittance income can pave the way to the better prospects of the nation. Mere collection of remittance in banks and financial institution doesn't bring desired outcomes in the economy , Such finds should be kept in proper channels in diffrent layers of the economy ot meet twin goals

poverty alleviation and sustainable development of Nepal . The real GDP of the nation could be magnified in the long run with better use of remittance money.

Keeping those facts under consideration, some recommendations have been mentioned below to remove the remittance economy of nation towards a better direction.

- a. Due to the lack of vocational and technical education, the Nepalese educational institutions have become the industries of producing only unskilled and unemployed manpower. Nepalese education system is traditionally theoretical with which no one can solve his/her economic problems. Mostly people of rural communities do not know about them modern technology because of this they are compelled to do only manual works. To overcome these problems vocational and technical education is essential. It makes them enable to use the modern tools and ideas properly.
- b. Government should focus on the matter of illegal migration of labor in those countries which are officially not opened for labor migration. For this the list of the countries that are opened for work should be published in all possible public places.
- c. Government should make its agendas and policies about foreign employment more clearly to all concerned agencies, private sectors and NGOs.
- d. Government should make the data and facts related to the foreign employment up to date and transparent. For this there should be a good coordination among MOF, NRB, CBS, Department of Labor and Department of Tourism.

- e. The concerned authority should establish information centers in each development region. Those centers will provide necessary information on foreign employment to those who want to go abroad.
- f. Government should establish a Foreign Employment promotion that will supervise the network of Nepalese labor migration across the world
- g. Government should take strict action against those persons or agencies which are for deceiving people on foreign employment cases.
- h. It is necessary to supervise the manpower agencies regularly.
- i. Government should prepare and manage the supply of quality and competitive manpower in accordance with the country wise specific demand in order to increase the income level of labors. For this, It is essential to provide vocational education to labor forces who are ready to go abroad .
- j. It should be allowed to open branch/representative offices in India and other Countries to Nepalese foreign employment service agencies.
- k. It is necessary to launch some effective programs that make people utilize their remittance in productive sectors; some such programs may be encouragement small scale industries. towards investment of agro-based industries, micro hydro projects, cottage and small scale industries.
- l. It is necessary to council the returnees for investing their earnings in business, trade, purchase of shares bounds etc.
- m. M. Government should create such environment in the country that makes migrant workers return home and utilize their skills for development of nation.
- n. Government should develop the quality of entrepreneurship through security of profession and encouragement.

- o. In order to overcome the problem of security, Nepal Government should make formal agreement with the government of concerning countries.
- p. NRB should fix low commission rate to money transfer agencies in order to encourage the inflow of convertible currencies earned in foreign lands.
- q. NRB should provide facility to open foreign currency accounts to the workers also who are going abroad through legal and illegal channels.
- r. NRB should make provision of foreign employment loan for marginal and poor people without collateral.
- s. The citizen should be aware and collect adequate information before being employed in foreign employment.
- t. Alternative employment opportunities in the native land should be focused on for long run development as remittances may not have permanent solution of sustainable economic development
- u. Unauthorized brokers system should be stopped by not doing late.
- v. There is high sexual, mental and physiological abuse specially in the case of female workers. It should be given special attention.

APPENDIX I (A)

Calculation of trend line of ratio of remittance to GDP

Fiscal Year	Remittance in (Billion)	GDP in(Billion)	Ratio (y)	Year(X)	X ²	X.Y
2002/03	54.2	492.2	11.0	1	1	11
2003/04	58.6	536.8	10.9	2	4	21.8
2004/05	65.5	589.4	11.1	3	9	33.3
2005/06	97.7	654.1	14.9	4	16	59.6
2006/07	100.1	727.8	13.8	5	25	69
2007/08	142.7	815.8	17.5	6	36	105
2008/09	209.7	988.3	21.2	7	49	148.4
2009/10	231.7	1192.8	19.4	8	64	155.2
2010/11	253.6	1366.9	18.5	9	81	166.5
2011/12	359.6	1527.3	23.5	10	100	235
2012/13	434.6	1695.01	25.6	11	121	281.6
2013/14	543.3	1965	27.6	12	144	336
2014/15	617.3	2130	29.1	13	169	378.3
2015/16	665.1	224.7	29.6	14	196	414.4
2016/17	699.0	2599	26.9	15	225	403.5
Total	4532.7	19527.41	300.6	120	1240	2818.6

Regression equation of GDP and ratio of remittance(Y) on time (X): $Y=a+bX$

For the parameters 'a' and 'b', Following two normal equations has been solved.

$$\sum Y = na + b\sum X \quad \text{and} \quad \sum XY = a\sum X + b\sum X^2$$

After substituting the values: $300.6 = 15a + 120b$ and $2818.6 = 120a + 1240b$

After solving these two equation, the values of 'a' and 'b' have been obtained and the estimated regression equation $\hat{Y} = 8.3385 + 1.47X$.

APPENDIX II (A)

Calculation of Chi-Square Test

Observed frequency	Expected frequency	(O – E)	(O - E) ²	$\frac{(O - E)^2}{E}$
31	27.92	3.08	9.4864	0.3398
42	40.4	1.6	2.56	0.0634
10	13.66	-3.66	13.3956	0.9806
18	19.01	-1.01	1.0201	0.0537
11	5.25	5.75	33.0625	6.2976
8	7.6	0.4	0.16	0.0021
0	2.57	-2.57	6.6049	2.57
0	3.58	-3.58	12.8164	3.58
5	13.82	-8.82	77.7924	5.6290
18	20	-2	4	0.2
13	6.76	6.24	38.9376	5.76
14	9.41	4.59	21.0681	2.2389
Total	169.98		220.904	27.7341

$$\begin{aligned}\text{Now, Chi-Square Value } (\chi^2) &= \sum \frac{(O-E)^2}{E} \\ &= 27.7341\end{aligned}$$

Degree of freedom (n-1) = 11

Level of significance (α) = 5%

Critical value,

$$\chi^2_{0.05}(11) = 19.675$$

APPENDIX II (B)

Calculation of calculation of trend line of ratio of remittance to GDP, Auto correlation and Durbin- Watson test.

Fiscal Year	$Y^{\wedge}=8.33+1.47x$	$e_t= y-y^{\wedge}$	e_{t-1}	$e_t -e_{t-1}$	$(e_t -e_{t-1})^2$	$e_t .e_{t-1}$	e_t^2
2002/03	9.8	12	-	-	-	-	1.44
2003/04	11.27	-0.37	1.2	-1.57	2.4649	-0.4440	0.1369
2004/05	12.74	-1.64	-0.37	-1.27	1.6129	0.6068	2.6896
2005/06	14.21	0.69	-1.64	2.33	5.4289	-1.1316	0.4761
2006/07	15.68	1.88	0.69	1.19	1.4161	1.2972	3.5344
2007/08	17.15	0.32	1.88	-1.56	2.4336	0.6016	0.1024
2008/09	18.62	2.58	0.32	2.26	5.1076	0.8256	6.67564
2009/10	20.09	-0.69	2.58	-3.27	10.6929	-1.7802	0.4761
2010/11	21.56	-3.06	-0.69	-2.37	5.6169	2.1114	9.3636
2011/12	23.03	2.57	-3.06	5.63	31.6969	-7.8642	6.6049
2012/13	24.5	1.1	2.57	-1.47	2.1609	2.8270	1.21
2013/14	25.97	2.03	1.1	0.93	0.8649	2.2330	4.1209
2014/15	27.44	1.66	2.03	-0.37	0.1369	3.3698	2.7556
2015/16	28.91	0.69	1.66	-0.97	0.9409	1.1454	0.4761
2016/17	30.38	3.48	0.69	2.79	7.7841	2.4012	12.1104
Total	301.35	12.44	8.96	5.42	78.3592	6.199	52.1534

$$\begin{aligned} \text{Auto correlation}(\rho) &= \frac{\sum e_t \cdot e_{t-1}}{\sum e_t^2} \\ &= \frac{6.199}{52.1534} \\ &= 0.11886 \end{aligned}$$

Again,

$$\begin{aligned} \text{Durbin- Watson } d &= \frac{\sum (e_t - e_{t-1})^2}{\sum e_t^2} \\ &= \frac{78.3592}{52.1534} \\ &= 1.5025 \end{aligned}$$

APPENDIX III

List of the Countries Opened for Foreign Employment Government of Nepal has formally opened the following 107 countries on institutional basis for sending laborers in foreign employment but at present, the government has restricted laborers there in august, 2004. Nepali Workers to go in sonle countries including Iraq * due to massacre of twelve Nepali

S.N. Country

- | | | | |
|------------------------|-----------------------|-----------------------------|----------------------------|
| 1. Afghanistan | 2. Albania | 3. Algeria | 4. Argentina |
| 5. America | 6. Australia | 7. Austria | 8. Azerbaijan |
| 9. Bahrain | 10. Bangladesh | 11. Belgium | 12. Bolivia |
| 13. Bosnia Herzegovina | 14. Brazil | 15. Brunei | |
| 16. Bulgaria | 17. Byelorussia | 18. Cambodia | 19. Canada |
| 20. Chile | 21. China | 22. Colombia | 23. Costa Rica |
| 24. Croatia | 25. Cuba | 26. Cyprus | 27. Czech Republic |
| 28. Denmark | 29. Egypt | 30. Estonia | 31. Fiji |
| 32. Finland | 33. France | 34. Germany | 35. Greece |
| 36. Guyana | 37. Holey Sea | 38. Hong Kong | 39. Hungary |
| 40. Iceland | 41. Indonesia | 42. Iran | 43. Iraq |
| 44. Ireland | 45. Israel | 46. Italy | 47. Japan |
| 48. Jordan | 49. Kazakhstan | 50. Kenya | 51. Kosovo |
| 52. Kuwait | 53. Laos | 54. Latvia | 55. Lebanon |
| 56. Libya | 57. Luxembourg | 58. Macao | 59. Macedonia |
| 60. Malaysia | 61. Malta | 62. Mauritius | 63. Mexico |
| 64. Moldavia | 65. Mongolia | 66. Morocco | 67. Mozambique |
| 68. Myanmar | 69. Netherlands | 70. Nicaragua | 71. Nigeria |
| 72. Norway | 73. Oman | 74. Pakistan | 75. Panama |
| 76. Peru | 77. Philippine | 78. Poland | 79. Portugal |
| 80. Qatar | 81. Republic Slovakia | 82. Romania | 83. Russia |
| 84. Saipan | 85. Saudi Arabia | 86. Seychelles ^d | 87. Seyclilio ^e |
| 88. Singapore | 89. Slovenia | 90. South Africa | 91. South Korea |
| 92. South West Africa | 93. Spain | 94. Sri Lanka | 95. Sweden |

- | | | | |
|-----------------|----------------|---------------|---------------------|
| 96. Switzerland | 97. Tanzania | 98. Thailand | 99. Tunisia |
| 100. Turkey | 101. Ukraine | 102. U. A. E. | 103. United Kingdom |
| 104. U.S.A. | 105. Venezuela | 106. Vietnam | 107. Zambia |

a. Vatican City, Italy. b. Region of Southern Serbia C. island of Western Pacific Ocean d. island country in the Western Indian Ocean, north of Madagascar. e. north African Island-it was changed from Seychelles in 1756 in honor of French Minister of Finance. Source: MOLTM, 2005.

APPENDIX IV

Questionnaire

Putalibazar Municipality

Ward No.....

1. Name of the Respondent:

a) Age:

b) Sex: Male Female

2. What is your literacy status?

Up to SEE	+2(Higher Sec.)	Graduate	above

3. What is the structure of your houses before going to foreign employment?

a) Made with Rod, concrete and cements (Rcc). b) Made with stone and mud
tin and slate stone roof. c) Made with stone and mud and thatched
roof.

4. How much land ropani you are using?

a) Landless b) Below 2 c) 2-5 d) 5-10 e) 10-15 f) 15-20
g) Above 20

5. What is your occupational status?

a) Agriculture b) Business c) Foreign employment d) Others

6. What is the monthly income of your remitter working abroad?

(a) Below 50,000 (b) 50,000-10,0000 (c) 10,0000-200000
(e) Above 200000

7. What is your marital status?

i) Marital status: a) Married b) Unmarried

8. What is your current source of income?

- a) Agriculture b) Business c) Jobs d) Foreign employment d) Others

9. What is your current Economic condition?

- a) Lower income group b) Medium low income group c) Higher income group

10. What is the cause of seeking foreign employment?

- (a) Unemployment (b) Poverty (c) Abroad Study
(d) Others

11. How are you managing the expenditure to go abroad?

- (a) By selling the property b) Family saving (c) Taking loan
(d) Others

12. Types of work Nepalese People are involved into.

- (a) Construction (b) Mechanical jobs (c) Agro-farming
(d) Hotel and catering (e) Security Guard (f) Others

13. How you are using your remittance and your skill learned from foreign employment?

i) Utilization of remittance:

- a) House-hold expenses b) Loan payment c) Investment (Land, shares)
d) Social activities

ii) Use of skills: a) Yes b) No

14. what is the change in your social indicator due to foreign employment?

	Increased	Decreased	Remain same
Economic Status			
Standard of living			
Social attitude			
Skills			

15. Have they sent any kind of electronic gadgets too?

- a) yes b) No

If yes, a) mobile b) Audio/Video Player c) refrigerators d) Others

16. Through which channels do they send the remittance?

a) Banks b) Micro credits c) Relatives d) Others

17. Have you any suggestion?

Thank you very much for your kind help

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