

# **CHAPTER - I**

## **INTRODUCTION**

### **1.1 An Overview of Nepalese Economy**

Nepal is a small country, which is located in the southern part of Asia Continent. It is one of the least developed countries among the world with 30 million people. Its area is only 147181 square kilometer, which occupies 0.03% of the earth. It is landlocked country surrounded by mountains. But Nepal is one of the richest country in the world in terms of bio-diversity due to its unique geographical position and latitudinal variation. The elevation of the country ranges from 70m.above sea level to the highest point to the earth, Mt. Everest at 8,848m.all within a distance of 150km. with wide climatic conditions ranging from sub-tropical to artic. This world variation fosters an incredible variety of ecosystem, the greatest mountain range on earth, thick tropical jungles teeming with a wealth of wildlife, thundering rivers, forested hills and frozen valleys. Nepal, a sovereign independent country, is bounded on the north by the Tibetan Autonomous Region of the Peoples' Republic of China and the east, south and west by India. The length of the Nepal is 880km. east to west and its breadth varies from 145-241km. north to south. The country can be divided into three main geographical regions, i.e. Himalayan Region which occupy15% of the area, Mountain region which occupy 68% of the area and Terai region which occupy 17% of the total land area of the country.

The current state of Nepalese economy is characterized by unutilized natural resources, miserable agriculture, deficit trade, mass poverty, illiteracy and so forth. Agriculture is the main occupation of almost village people but no scientific methods of agriculture have yet been implemented. It is one of the richest countries in the world in terms of natural resources. The natural resources available here have remained unutilized due to reasons. Majority of the Nepali people are below poverty line. Despite a series of ambiguous development plans and international aid, Nepal's economic growth has barely kept pace with its expanding population. Gross National Product (GNP) per capita was only \$290 in F\Y 2008, thus making Nepal one of the poorest countries in the Asian region. The living standard of people

is very low. Poverty, misery and conflict are dancing around. The vicious circle of poverty is found here. The economic inequality is also great. While the country has been moving toward a market friendly economy since the early 1990s, frequent changes in government have hampered the realization of policy reforms and delayed the implementation of development projects. Furthermore, the escalating insurgency has helped worsen the government's poor delivery of basic services and curtailed private sector activities.

The history of industrial development in Nepal is not so long, Nepal is still far more behind other developed countries regarding development of industries. There are many constraints to industrialization in Nepal like widespread poverty, small size of market due to small country, open border with India, inadequacy of transport, communication, electricity, geographical condition and lack of risk taking entrepreneurs, tendency to invest in quick- yielding business. These are the common constraints. But in the present situation, barriers to industrialization are political instability, corruption, security problems etc. Therefore to pave the way for industrialization, all these problems should be solved immediately.

## **1.2 Background of the Study**

Migrant remittances represent the most direct, immediate and far reaching benefit to migrants and their countries of origin. They are a more constant source income to developing countries than official development assistance, foreign direct investment and other private flows. Moreover, the emergence of remittances as a new strategy for poverty alleviation in developing countries has spurred multilateral institution, international organizations and national governments, among others, to seriously study, identify and implement measures on how these inflows could be maximized and then harnessed for the development of migrants' countries of origin.

The history of migration is as much the history of human civilization Humans have moved into new areas in; search of food and shelter since their emergence as a species. Ever since the stone age, migration has led to the transmission of physical characteristics and diffusion of cultural make up including tools, habits, skills, customs, forms of social organization and furthermore, the unfolding of newer ideas and the spread of knowledge . The most important

migratory movements in history were the Gothic Forays through the 3<sup>rd</sup> to 6<sup>th</sup> century A.D. the Arab invasion in the 7<sup>th</sup> and 8<sup>th</sup> centuries and the invasions of the Ottoman Turks in the 14<sup>th</sup> to 16<sup>th</sup> centuries. But from 17<sup>th</sup> century onwards migration becomes a matter of individuals and families rather than nations and mass groups. The basic motives for venturing into distance lands now became the quest for better economic opportunities and living standards rather than just food and shelter. The industrial revolution gave rise to an important trend of international migration that of the great movement of people from rural to urban centers in virtually every country and the travel from low level of social depravity to higher levels of economic prospects.

With the ebb flow of time and the innovation in easy air travel, communications and improved productivity, migration wasn't necessarily a permanent relocation. By working in a factory thousands of miles away, now a "migrant worker" can send money back to his family in the remote hills of his country and also return for a reunion during holidays. Foreign employment becomes a major source of national income for many developing countries [Pandey, (April 2005: p-i).

The history of Nepalese working abroad started from the recruitment of Gorkha soldiers since April 24<sup>th</sup> 1815A.D. On the conclusion of the Anglo-Nepali war (1812-1815), the British East India Company impressed by the extraordinary bravery and fighting qualities of the Nepalese, raised the first Gorkha regiments. The Nepalese people were earned "Brave Soldier" in the history of the world before some decades. Nepalese people were earned a name and fame for the fighting and victory in the war so that they are called as "Bir Gorkhali". Indian in 1947, six Gorkha regiments were allocated to the Indian Army while the remaining four to the British Army. With the Hong Kong handover to China and the overall reduction in the strength of British armed forces, the number of British Gorkhas was gradually reduced from 8000 in 1997 to approximately 3500. There are automatically 60 thousand Nepalese currently serving in the Indian Army and other government services of Indian in various capacities.

An approximately one lakh fifteen thousands ex- serviceman and other Indian Government Pensioners reside in Nepal. Their total annual pension is more than Rs.800 cores. The Gorkha soldiers have always played an important role in the economy of the country. The cash flow derived from annual pension, remittances to families, or monies taken home in a lump sum by discharge Veterans or by service personnel on leave have represented a major source of the country's foreign exchange.

Realizing the imperatives of the foreign employment in the economic growth of the country His majesty's Government of Nepal introduced foreign employment Act in 2042B.S. (1985 A.D.) and joined the employment market by sending its surplus manpower abroad for the employment. But in reality the outflow of Nepalese workers from the country in considerable number started after 1990. The pace of the foreign employment increased dramatically after 1996 and the consequent shrinking of economic opportunities back home compelled Nepalese youth to look for alternatives elsewhere. With 42% of the total population living below the poverty line and garment, carpet and pashmina production declining due to overall slowdown of global financial system. The only sector that is sustaining the ailing economy is the remittances generated from Nepalese labor force working aboard. Of late, foreign employment has become the most important sector for the sustaining of the country economy. In an average 200 youths leave Nepal for employment overseas. Massive unemployment inside the country is the min reason behind this up serge in venturing out to distant lands. Among the total population 28.5 million, 47% are unemployed. According to one estimate, annually 500000 to 700000 new Nepalese laborers enter the market. Out of these new entrants, 30 to 40 thousand find jobs within the country, about 100000 go abroad and the rest remain in the country without a job.

Although officially, Nepal has opened 107 countries for Nepalese workers, there is an estimated half a million to 700000 mostly unskilled and semi-skilled Nepalese laborers working in the Arabian Gulf. Although, they have now started going in large numbers to other regions as well, the gulf region has more Nepalese workers than anywhere else in the world. Despite this link, Nepal's relations with Gulf countries have been an Oftneglected aspect of Nepal's international relations exercise [Pandey, (April, 2005: p.p 3)].

The term “remittances” basically refer to the transfers, in cash or in kind, from a migrant to household residents in the country of origin. The IMF considers a wider definition and incorporates three categories,

- a. Workers’ remittances or transfers in cash or in kind from migrants to resident households in the country of origin,
- b. Compensation to employees or the wages, salaries and other remuneration, in cash or in kind, paid to individuals who work in a country other than where they legally reside and
- c. Migrant transfers which denote capital transfer of financial assets made by migrants as they move from one country to another and stay for more than one year.

As stated in the BOP Manual (5<sup>th</sup> edition, 1993), “workers’ remittances cover current transfers by migrants who are employed in new economies and considered residents there. (A migrant is a person who comes to an economy and stays, or is expected to stay, for a year or more). Workers’ remittances often involve related persons. Persons who work for and stay in new economies for less than a year are considered non-residents; their transactions are appropriate mainly to the component for compensation of employees.” The Nepal Rastra Bank (NRB), the country’s central banking authority, follows the IMF Manual in recording remittances or migrant transfers in its BOP computation.

Since the end of the 1990s, there has been a renewed interest in the financial resources that migrants send back to their countries of origin due to the potential contribution to the economic development of the receiving regions. It is generally acknowledged that foreign remittances, whether channeled through formal or informal modes from host countries to receiving countries, contribute positively towards the economic development both at the household level and country level, although remittances through formal channels are more amenable to policy interventions and are generally believed to have greater development impacts.

With the onset of globalization and opening up of even rigid borders for foreign manpower, Nepalese people find new avenues of overseas employment provided they are skilled enough.

After the restoration of democracy in 1990s the Nepalese people are systematically started to go abroad for the employment. When the people feel unsafe to settle in Nepal, it helps to flourish for the foreign employment. Foreign employment means to bring money from abroad which is help to contribute the development of the country. Nowadays, the economic condition is so bad but the economy is bear by remittance. Remittance plays a vital role to growth economic development of Nepal. So, the thesis is focus on the remittance business in Nepal.

### **1.2.1 Remittance and Economic Growth**

There are a number of potential costs associated with remittances. If remittances are large, the recipient country could face an appreciation of the real exchange rate that may make its economy less competitive internationally. In this regard, some argue that remittance can also created dependency, reduction in recipients' incentives to work and thus slowing economic growth. But others argue that remittance may also have human costs. Migrants sometimes make significant sacrifices, family separation and incur risks to find works in another country. Consequently, they may have to work hard for saving enough to send remittances.

Basically, remittances are private funds that should be treated like other sources of households' income. In terms of assets formation, large number of remittance receivers uses their funds to purchase lands or building in town areas. Someone purchase means of transportation as a part of their investment. Very rare is found in promoting agriculture and tourism. In short, It could be asserted that the productive use of remittance income is yet to be sought though it forms a significant part of GNP. Furthermore, in order to channel remittances in productive areas for economic growth, the government should offer incentive to increase remittance flows. Tax incentives like rebates or concession may attract remittances, but they may also encourage tax evasion. The government has to assess prospective growth rates, potential for exports, revenue elasticity and composition of existing debt. Besides, the government may choose to increase either external borrowing or to raise remittances for economic growth (Heller 2007).

If we observe the economic growth rates of some SAARC countries in 2006, we find the highest growth rate (8.2 percent) of India and the lowest growth rate (1.9 percent) of Nepal. Sri Lanka has received the second position (7.0 percent) then Bangladesh (6.7 percent) and Pakistan (6.6 percent) (Annapurna Post, Dec.15, 2006). In such a circumstance, Nepal has reached the insignificant growth rate because of prevalence of the political conflict, unfavorable climate for agriculture and reduction in export of readymade garments. However, Bangladesh has received the third position in economic growth rate mainly by increasing the flow of remittances and maintaining strong production sector. Thus, remittance as a major source of foreign exchange earnings can improve a country's creditworthiness and enhance its access to international capital markets.

### **1.2.2 Remittance Income in Nepal**

Initially, remittance in Nepal was introduced with Gurkha remittances. 'The Gurkhas' were renowned for good qualities of soldiers. That is why British India formally recruited Nepalese youth as a regular army, which later divided into British and Indian army. Now-a-days, Nepalese going abroad are not only for armies but also spread all over the world for work and mostly they are concentrated in Gulf areas in civilian front (Kshetry, 2003). Any Nepali to go for work legally, he/she needs to get permission from the department of Labor under the Ministry of Labor and Transport of the Government of Nepal. From the official report of the Labor Department it is known that 107 countries are at the government list where Nepalese are allowed to go for work. But still some people are found going abroad without permission and working in the government restricted areas too. Because of this trend, data on foreign employed workers are not available in exact form. Majority of those who have left home for overseas job are eager to earn foreign currency by hard working to support their families.

With regard to the delivery of remittances, the World Bank has expressed the view that the producer of receiving remittance in Nepal is the best one in compare to others. Remittance Transaction Company cannot receive cash directly from the Nepalese workers remaining outside. The workers have to deposit their remittances in foreign commercial banks account and the transaction company through its account delivers the remittance services to the

recipients at the cheapest cost (about 1 percent of remittance income) (Annapurna Post, March 15, 2005). Moreover, the Hundi system is almost closed due to the establishment of Remittance Company in Malaysian and Gulf countries. However, the system of Hundi is still working in Japan and Korea where most Nepali workers are living even if their visa date is expired.

Over the past 18 years from 1991, international migrants' remittances have become increasingly prominent in our country. The amount of remittances reflects only transfer record in the balance of payments. Unrecorded flows through informal channels are believed to be more than the recorded flows. Regarding the transfer of remittances in Nepal, the record of banking sector showed that Rs. 15.9 billion was received in FY.2000/01. However, Hundi operators or money transferring agencies handled the bulk part of remittances. Considering the increasing number of workers, assuming four lakh per year going outside the country in this perspective, remittance received was estimated at Rs. 50 billion in FY 2001/02, (Kshetry 2003). In this regard, it is also estimated that more than 500 people per day are going abroad for foreign employment. From such migrants, about Rs. 100 billion per year is expected to enter into the country through remittance income only (Annapurna Post, Oct.28, 2006). NRB's latest data shows remittance increased by 19.7 percent during the period against an increment of 59.4 percent in the corresponding period last year. The central bank's statistics show Nepal received remittance worth Rs. 34.99 billion in the review period. Remittance inflow during the same period last year was Rs. 29.23 billion. Nepal had received remittance worth Rs. 209.69 billion in the whole of the FY 2008 (The Kathmandu Post, Nov.13, 2009). In order to provide access for transferring remittances, Western Union, IME and Prabhu Money Transfers are found active in Nepal. Of these agencies, more than 200 sub-agents of single Hulas remittance including banks, finance companies, trading concerns, enterprises etc. under the province of Western Union, have been opened in five Development Regions of Nepal. These agents deliver remittances to the recipients of local areas within a short span of time.



### 1.2.3 Contribution of Remittance to GNP

Remittance as major component of current account plays a vital role in increasing current transfers in balance of payments. The basic factors of determining current transfers are grants, workers remittances, pensions and others including excise refund also.

Initially, the share of remittance to GNP was found 1.74 percent in mid –July 1991. This share increased sharply (9.38percent) after the period of mid-July 1999 and eventually reached to 15.03 percent in mid-July 2008. On average, the share of remittance to GNP was 14.07 percent during the review period from mid-July 2002 to 2008. Under the transfer category of BOP, remittance income increased by 15.65percent totaling Rs. 205.42 billion in 2008 due to the increasing trend of Nepali workers going to Malaysia and Gulf countries for employment (MOF 2009). During that period, the grants and pension also increased by 7.72 percent and 58.06 percent respectively. Thus, from this analysis it is clear that the remittance has become an important contributor (64.72 percent) to the current transfers in balance of payments of Nepal.

**Table 1.1**  
**Share of Remittance to GNP**

(Rs. In Million)

<b>Year Mid-July</b>	<b>Grants</b>	<b>Workers' Remittance</b>	<b>Pensions</b>	<b>Others</b>	<b>Total</b>	<b>GNP at Current Price</b>	<b>Share of Remittance To GNP</b>
2002	12874.8	36818.1	10976.3	1318.9	61988.1	392613	11.05
2003	13842.2	47216.1	11738.3	1456.1	74252.7	427447	10.77
2004	19557.8	54203.3	12259.5	1700.9	87721.5	441182	11.46
2005	21071.9	65541.2	12502.2	2194.8	101310.1	472869	11.49
2006	18851.1	97688.5	12007.6	2314.5	130861.7	509700	12.03
2007	18218.2	100144.8	12937.0	1896.8	133196.8	543902	12.22
2008	20993.2	142682.7	18789.9	2997.1	185462.9	594871	15.03

*Sources: Economic Survey (various issues), Ministry of Finance, Government of Nepal.*

Main Economic Indicators (May-July), 2009, Monthly Report, NRB: Research Department, Kathmandu.

#### **1.2.4 Socio-Economic Implication of Remittances**

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 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 on the one hand, has played an important role to increase their personal income and thereby improve standard of living and a risk of diseases like HIV/AIDS through migrants on the other may enter into the country. More specially, this type of communicable disease may be due to poverty, illiteracy, gender discrimination, women exploitation, insecurity and the lack of legal advice as well as proper treatment. Thus, to minimize this problem, especially rural people should be made aware of the communicable diseases through mass media, education, health care and training cum workshops. Furthermore, a part of remittance income should set aside by the government through welfare scheme that may become the long run solution to the problem of communicable diseases.

Recently, the decision made by British government has provided the permission for the permanent residence in U.K. 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.

#### **1.2.5 Trends and Impact**

International migrant remittances have become an important source of external finance in developing countries. In nominal dollar terms, recorded remittances sent home by migrants

from developing countries are expected to reach \$283 billion in 2008, a rise by 6.7 percent from \$265 billion in 2007. This amount, however, reflects only transfers through official channels. Econometric analysis and available household surveys suggest that unrecorded flows through informal channels may add 50 percent or more to recorded flows. Including these unrecorded flows, the true size of remittances is larger than foreign direct investment flows and more than twice as large as official aid received by developing countries.

Remittances can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption and poverty and income distribution. At the national level, remittances contribute significantly to GDP. Remittances can also contribute to stability by lowering the probability of current account reversals. Since they are a cheap and stable source of foreign currencies, remittances are likely to stem investor panic when international reserves are taking a downward trend or external debt is rising.

At the community level, remittances create multiplier effects in the domestic economy, producing employment opportunities and spurring new economic and social infrastructure and services, especially where effective structures and institutions have been set up to pool and direct remittances. Where these have been set up and encouraged, and where the state is cooperative, remittances can bring about a change, especially in remote rural areas.

Remittances have been found to rise when the recipient economy incurs a downturn in activity or macroeconomic shocks owing to financial crisis, natural disaster, or political conflict. By making up for foreign exchange losses due to these shocks, remittances may smooth consumption and thus play a part in maintaining the economic stability of recipient countries.

The poverty reducing and income distribution affect of remittances is also significant. This case is based on the fact that the recipients of remittances are often low-income families whose offspring left the country to work abroad. Remittances assist in augmenting national income by providing foreign exchange and raising national savings and investment as well as by providing hard currency to finance essential imports hence curtailing any BOP crisis.

Since they bear no interest, do not have to be rapid, and their utilization is not tied to specific investment projects with high import content, they have a more positive effect on BOP than other monetary flows such as direct investments or loans.

In many countries, a large portion of remittances are invested in real estate, demonstrating both a desire of migrants to provide housing to families left behind and a paucity of other investment instruments in the recipient. Whether remittances are utilized for consumption or purchasing houses, or other investments, they produce positive impact on the economy by stimulating demand for other goods and services.

Some studies have illustrated that remittances can have a deleterious impact on national economic growth in the medium and longer term. Remittances can fuel inflation, disadvantage the tradable sector by appreciating the real exchange rate, and reduce labor market participation rates as receiving households opt to live off of migrants' transfers rather than by working. Moreover, remittances' contribution to growth and poverty might reduce the incentives for implementing sound macroeconomic policy or to institute any needed structural reforms.

Some also argue that remittances do little to stimulate development in the countries of origin. A few studies undertaken relating to the uses of remittances show that savings produced by remittances are frequently directed to purchase of non-productive assets. Remittances were also seen to increase dependency. These inflows are quite volatile since countries that depend too much on them may face economic shocks when the flow is disrupted.

### **1.2.6 General Policy Measures**

There are many policy instruments the government can use to improve development impact of remittances and enhance the flow of remittances through the formal channel. Which policy instruments the government selects depends on the desired goal it intends to achieve. First, if the government's objective is to capture a portion of remittances for development purposes, then the policy instrument will be to impose taxes or levies on remittance transfers, or to explore voluntary check-off for charitable purposes. But, taxing remittances may be

counterproductive. Second, if the government's objective is to stimulate transfers through formal channels and to stimulate capital availability, then the policy instruments should focus on the sale of remittance bonds, opening of foreign currency accounts, premium interest rate accounts, promoting transfers through microfinance institutions, promoting financial literacy, and banking the unbanked. Foreign currency accounts and bonds have proven to be viable means of raising funds. This should be targeted at the diasporas' middle-to-upper income members.

Moreover, if the goal is to stimulate investment of remittances then the government needs to reach out to remittance receivers' micro finance infrastructures. The government could also reach out to its migrants abroad through migrants' service bureaus, and tax breaks on imported capital goods by migrants.

#### **Policy measures to Enhance the Development Impact of Remittances**

<b>Objective</b>	<b>Measures</b>
Capturing a share of remittances for development purposes	Taxation of emigrants Duties or levies on remittance transfers Voluntary check-off for charitable purposes (or transfer forms)
Stimulating transfers through formal channels and/or stimulating capita availability	Remittance bonds Foreign currency accounts Premium interest rate accounts Promoting/enabling transfers through microfinance institutions (MFIs) Promoting financial literacy/ banking the unbanked
Stimulating investment of remittances	Outreach through MFI infrastructure Outreach through migrants' service bureaus Tax breaks on imported capital goods SME schemes (financial, infrastructural, or innovative) Training programs
Outreach to migrant collectives/Hometown associations (HTAs)	Matched funding Public-private ventures Competitive bidding for development projects
Influencing consumption patterns	Promoting consumption of local goods & services Enabling migrants to spend on their relatives' behalf

*Source: Carling (2008)*

Since a long time, governments of migrants' home countries have employed a large variety of policy measures that target different elements in the system. Multilateral agencies such as

the World Bank and the IMF and bilateral development agencies such as the DFID of the UK have also examined different policy options and recommendations. A list of policy measures based on this array of experiences is delineated in Table.

### **1.2.7 Nepal's Experiences**

While Nepal has a long tradition of overseas employment, other factors have contributed to an increase in labor migration in recent years. Starting in the early 19<sup>th</sup> century, Nepalese have served in various armies in pre-colonial colonial India. This tradition continues and Nepalese are employed in the Indian and British armed forces. Earnings and pensions from these soldiers form a sizeable portion of remittances. However, with rapid population and labor force expansion and inadequate growth, the absorptive capacity of the domestic economy has been stretched. With limited arable land, landlessness is pervasive and the number of landless households has steadily increased in the agriculture sector. In the non-agricultural sector, the slowdown in growth, especially since 2000/01, due to the insurgency and exogenous shocks has further retarded the pace of employment creation. The armed conflict has also created difficult living and security conditions, especially in the rural areas. India has been a traditional destination for Nepalese migrants. The main reasons for this are geographical proximity, historical and cultural links, and a large and open porous border. The 1950 Treaty of Peace and Friendship between India and Nepal formalized free border movement of people. The bulk of these migrants are employed in the private, informal sector. These migrants hold semi-skilled and unskilled jobs in restaurants and factories or are employed as domestic workers, security guards, and maids. However, the lion's share of the remittances from India are not recorded in the BOP as they are brought in by the migrants themselves or sent through relatives and friends.

An increasingly larger share of remittances now comes from countries other than India, reflecting changing migration patterns and higher earnings in these locations. Moreover, the composition of skills of the labor flows is different among these destinations. While migrants to the Middle East are employed mostly as security personnel, chauffeurs, and construction workers, the demand from South East Asian countries is more for

employment in industrial enterprises. Monthly earnings for these workers are higher than those in India.

The analysis pertaining to the impact of remittances can vary depending on the analytical approach adopted. In Nepal's case, there has been a positive impact of remittances on poverty as illustrated by the Nepal Living Standards Survey (2008-2009) that showed that the poverty level, defined in terms of absolute head counts, declined from 42 percent in 1995/96 to 29 percent in 2008/09. Other studies have also supported the government's findings on the significance of remittances.

Owing to the widespread conflict in the country until recently, workers viewed foreign employment as their only viable option. Again, paucity of economic opportunities at home and rising employment prospects abroad have also tempted Nepalese to seek employment abroad. On the basis of data provided by the Department of Labor and Employment Promotion, the number of workers going abroad for employment has increased by almost 13 percent in 2008/09 as compared to 2007/08. The number of persons granted institutional permission for foreign employment was 182,043 and 214,094, respectively, in 2007/08 and 2008/09. The major destinations have been Malaysia, followed by Qatar, Saudi Arabia and United Arab Emirates. With the increase in the number of workers, the inflow of remittances has also taken an upswing. Remittances rose from Rs. 47.5 billion in 2002/03 to Rs. 142.7 billion in 2007/08. Moreover, the share of remittances incoming through the official channel has been going up. For instance, while in 2002/03, out of total remittance income, just about 27 percent flowed into the country through the official channel as against 73 percent through the unofficial channel, in 2008/09, on the other hand, about 91 percent entered through the official channel and the rest through the unofficial channel.

The upsurge in remittances has led to a surplus in the current account, thereby strengthening the overall balance of payments position. The share of remittances in total current account receipts, for instance, soared from 33.6 percent in 2002/03 to 50.8 percent in 2008/09.

**Table 1.2**  
**Remittances Data**

Heading	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total remittances (in Rs. Million)	47536.3	54203.3	5858.7	65541.2	97688.5	100144.8	142682.7
Share of remittances to current a/c	33.6	37.8	36.6	38.2	46.7	45.3	50.8
Receipts excluding grants (in %)	10.3	11.0	10.9	11.1	14.9	13.8	17.4
Ratio of remittances to GDP (in %)							

*Source: Nepal Rastra Bank.*

Similarly, the remittances to GDP ratio increased from 10.3percent in 2002/03 to 17.4 percent in 2007/08. These figures clearly indicate that any significant decline in receipts from remittances could disturb of the economy from the macro level.

Because of the potential effects of remittances, the country has accorded priority in promoting overseas employment and mobilizing remittances so as to maximize the benefits from these transfers. In this respects, effective march 29, 2002, the Nepal Rastra Bank had begun granting licenses to private sector organizations interested in remittance-transfer business. As of mid-July 2009, 29 firms besides the commercial banks are undertaking money transfer business.

Other policy initiatives have also been undertaken so that remittances could be directed through the banking channel. For instance, the NRB has arranged to provide 15 paisa per US dollar as commission to licensed private firms in addition to the prevailing buying rate. Moreover, permission was granted to manpower agencies, engaged in sending Nepalese nationals to work overseas, to open foreign currency account in the Nepalese commercial banks out of the foreign currency income that they earned under the existing rules.

A policy arrangement was also introduced whereby if a Nepal-based licensed agent/representative of a money transfer company situated overseas required bank guarantee



for receiving advance payment from the principal company, such facility, within the stipulated limits, would be made available directly from the commercial banks.

### **1.3 Significance of Remittances**

Remittances are important to the receiving countries at the micro and macro level. They increase both the income of the recipient and the foreign exchange reserve of the recipients' countries. Remittances generate positive multiplier effects in output if they are consumed, and contribute to output growth in the country if they are invested. Pant further emphasizes on both the micro macro level implications of inward remittances to its recipient and the nation as a whole.

Remittances are typically helpful to meet specific needs of the respondents' family members and thus tend to increase their standard of living. In lower class or poor households, they may finance their remittances to fulfill their basic needs, such as in consumption, housing, children education and health care and to pay for loan. In middle class or rich households, they may provide either loan for individuals going abroad or capital for business and entrepreneurial activities. From macro economic point of view, this source may be more stable than capital flows. Remittances provide significant sources of foreign currency and contribute to the balance of payments they are used for financing the imports and increase national income. It is said that remittances has represented more than 10 percent of GDP in Nepal in the late 1990s. Moreover, it would be highly beneficial to the country, where there is natural calamities, political conflict, people war, low investment in entrepreneurial activities and economic recession. Remittances also have the history of dramatically changing the investment climate of the Philippines after the Asian financial Crisis of 1990s. Minimizing transaction costs would significantly help recipients' families. The cost of remittance service does not really depend on the amount of principle. Indeed, the cost of a remittance transaction include labor charges, house rent, technology, networks etc. it is known that greater competition among banks and money transfer operators (MTO) brings down the cost of transaction. Furthermore, remittance fees can be reduced significantly if they were converted to a flat fee instead of a percentage of the principal transferred (Ratha 2005). In addition, some commercial banks have recently started providing remittance

services than money transfer operators. Both sending and receiving countries can increase banking access for migrants by facilitating participation of financial institutions and credit unions in the remittance market. Keeping these facts into consideration, this paper has raised some issues regarding the flow of remittance income and its role in economic development of Nepal. The basic issues are: How is money transferred under the process of remittances? Why are remittances helpful for economic development? How these sources of finance are utilized? What is the relationship between remittances and GDP? What are their socio-economic implications?

#### **1.4 Focus of the Study**

Nowadays, the economic condition of Nepal is so bad. So, in this critical condition remittance has highly contributed to run the Nepalese economy. Foreign employment is cited as the most suitable remedy for the ever increasing unemployment problem prevailing in the country in today's content. Various manpower agencies have been working as a facilitator helping people who want to go abroad for better employment opportunities hence bridging the gap between the larger pools of idle workforce available in our country to meet the demand of larger workforce in other countries. This has given rise to international migration not only in Nepal but is seen worldwide.

Positive consequence of people leaving ones country of origin is that their earnings in the destination country would enter inside the country of origin in the form of inward remittance whereas the brain drain from the country of origin can be a biggest threat to it and can be taken as a negative consequence. The main focus of the study is to analyze more specially the pros and cons of the foreign employment and inward remittances and its economic implications. The study is expected to create awareness amongst Nepalese going abroad in search of better employment opportunities. Other bodies benefiting from this study would be the various government bodies especially the Ministry of Labor. This would help them create employment opportunities inside the country or even device skillful training programmes which would help Nepalese going abroad get highly paid jobs.

## **1.5 Objectives of the Study**

Considering the above given points the main objective of the study is to analyze the economic impact of the foreign employment and inward remittance entering inside the country.

The specific objectives of the study are as follows:

1. To study and evaluate the trend of foreign employment in Nepal
2. To study the role of inward remittance for economic development of Nepal
3. To analyze the Socio-economic implications of remittances in Nepal
4. To study the problems and prospects in Inward Remittance Business

## **1.6 Statement of the Problems**

Remittance as a major source of foreign currency to the developing nation has become a substantial component of making current account surplus in the balance of payments. It is argued that many workers from Nepal going abroad for employment are no doubt young, energetic, laborious and enthusiastic. They do hard work for earning large remittance income to support their families. However; the downside of remittances reflects the view that remaining young generation for long time outside without family may increase their vulnerability and ultimately they will have a tendency to leave their homeland. Thus, in order to recover the loss of economically active labor force to the domestic economy, they should be encouraged to comeback again with skilled knowledge for utilizing their savings and working experience for development to the productive areas in accordance with the national development plans.

It was only after the Gulf War which prompted the countries in the Middle East to open their door demanding for labors so as to restructure their shattered economy. As a result of this a greater pool of workforce from South Asian countries have started going to the Middle East to overcome the problem of unemployment in their country of origin. Since then the number of people going to the Middle East and Malaysia are in an increasing trend and the flow of people going to these countries dominates the flow of people going to other countries. Nepal

unable to overcome its ever increasing problem of unemployment has not been an exception to these.

The Eight Fiscal Year Development Plan (1992-1997) was a major turning point and was the first government move towards the upliftment of the foreign employment for Nepalese going abroad for employment. Manpower Agencies started providing the service as a facilitator helping Nepalese people going in search of employment. Manpower agencies then started mushrooming up and today they are situated in every nook and corner of the city. Many fraudulent cases have emerged as a result of manpower agencies including themselves into wrong practices. This has posed a threat to the currently boosting foreign employment industry which would ultimately hamper the inward remittance business flourishing in Nepal. Inward remittance business though seems booming at the current stage of Nepal it has been facing controversies as huge volume of it enter inside the country through improper channels. This on one hand hampers in the process of official data collection for finding out the volume of inward remittance on a yearly basis and on other hand it involves risk of forgery while sending money through improper channels. Whatever may be the mode of its entrance, the importance of the inward remittance has now been identified. Thus this study will deal with the following issues:

- i. What are the percentages of remittance received by Nepal from the different sectors?
- ii. What is the trend of remittance received by Nepal?
- iii. What is the contribution of remittance in the Gross National Product (GNP)?
- iv. What is the percentage increment in the remittance?
- v. Comparison of Remittance and Foreign Direct Investment.

## **1.7 Limitations of the Study**

This research explains and analyzes the subject matter with the help of published data and surveyed data, therefore as a conclusion oriented research, it doesn't concern with fundamental and decision oriented research. Considering the above matter, following are the limitations of the research:

Since very few researches have been done in this area in the context of Nepal, the study depends upon the published data and data gathered from the survey.

This study is only concerned with the economic impact of inward remittance to its recipients and ultimately to the country as a whole that has resulted due to the booming foreign employment opportunities.

Since large volume of inward remittance are entering inside the country through informal channels official data collection excludes these figures. However various efforts were made to cover these data to extent possible.

The study is mainly based on the published secondary data and data gathered from the survey conducted at various places i.e. primary data gathered from related sources hence the reliability depends on it.

This study was conducted to fulfill the requirement of the M.B.S. programs of T.U. for a prescribed time, not for generalization purpose.

As a research student the study is unbiased but resources and time period is limited.

The truth of the research result is based upon the available data from the survey and other sources.

In this study Nepal Rastra Bank, Central Bureau of Statistics, National Planning Commission, Ministry of Labor and Public Information Centre is taken as basic source of secondary data. Primary data are restricted to the ones collected during the survey from certain highly emigrant concentrated locations.

## **1.8 Organization of the Study**

The study is divided into five chapters as follows

### **Chapter - I: Introduction**

Background

Significance of the Study

Focus of the Study

Objective of the Study

Statement of the Problem

Limitation of the Study

Organization of the Study

## **Chapter - II: Review of Literature**

This chapter would be devoted for the brief review of literature available. Conceptual framework about the modality of the inward remittance entering inside the country is briefly reviewed. Review from published books, journals (articles), websites etc would be included in this chapter.

## **Chapter - III: Research Methodology**

This unit would present methodology used in the study. It consists of following subtopics:

Research Design

Population and Sample

Sources of Data

Tools for Analysis

Methods of Presentation and Analysis etc.

## **Chapter - IV: Data Presentation and Analysis**

In this chapter, data collected from various relevant sources would be presented and analyzed using various statistical and non-statistical methods. The data from the selected sources like Nepal Rastra Bank, Ministry of Labor, Central Bureau of Statistics, National Planning Commission would be taken into reference. Tables, Bars, Graph, Pie Chart and Line Graph etc would be used for presentation of data. Various statistical tools would also be used for analysis of data.

## **Chapter - V: Summary, Conclusion and Recommendation**

This chapter is for major findings, summary, conclusion and recommendation.

Bibliography and appendices are incorporated at the end of the study.

# **CHAPTER - II**

## **REVIEW OF LITERATURE**

### **2.1 Introduction**

Review of Literature is the process of learning and understanding the concept of the related topic. This process of studying different educational materials, which are related with the selected topic of the research, is called 'Review of Literature'. It means to collect the necessary information about the research topic through the different sources. Literature review is the study about matter which are available in the market either they are in the form of books or articles. That means study about the matter by findings the books, articles, journals, magazines, newspapers, articles, thesis report etc that are published in the past. This chapter helps to take adequate feedback to boarder the information base and inputs to the study. Since there are not so much adequate study materials related with this topic published in Nepal. This study has referred almost books, journals, articles and website related with this topics published in Nepal and in other countries too. This chapter tries to detail the conceptual theoretical concept regarding the definition of remittance.

The present research aims to analyze the impact of foreign employment and inward remittances entering inside the country. For this purpose, a review of related literatures in this concerned area is the must which will help me to get clear ideas, opinions and other concepts. 'What other has said? , What other has done? and what others have written?' these all and other related questions are reviewed which has provided useful inputs in this research work. This chapter emphasizes about the Literatures which were concerned in this connections. Therefore, in this chapter conceptual frameworks given by different authors and intellectuals of this area, books, journals, research works and previous thesis related to labor migration and inward remittances re reviewed. Moreover, labor migration issues and inflow of inward remittances are reviewed and an attempt has been made to present them properly.

## 2.2 Meaning and Concept

Remittance means the transferring money from one place to another. Remittance is the amount transferred by workers abroad to support their families back home. Euphemistically, present day Nepalese economy is characterized by “Remittance economy”. Its genesis starts right from the beginning of world wars in which Nepalese fought not for the protection of their homeland but in course of fulfilling duty in which they were engaged. Having open border with India together with under or disguised un-employment in agriculture households, Nepalese thronged across the Southern boarder where British Empire was counting its last days. At that stage also the Nepali rulers were supporting the empire by sending troops to suppress internal strife and also to take part in war. Those were the days when “Nawabs” of Lucknow were watching helplessly the loot of their huge wealth. The possessions thus received went to the treasury of the rulers but the salary the soldiers received formed the part to support their families ([www.nepalnews.com.np/ntimes/issue169/economy](http://www.nepalnews.com.np/ntimes/issue169/economy)).

The obedience, Nepalese displayed even at the huge risk, convinced the empire that “The Gurkhas” race essentially posses’ good qualities of a soldier. British India formally recruited Nepalese as regular armies, which later on split into separate “British” and “Indian” armies, again under the venerable name of Gurkhas deriving its name from the district of Gorkha from where Nepal was unified. Sincerity of Nepalese won the heart and soul of their masters who wished to employ them for ages to come. Hey are recruited officially not only by Singapore police to guard important installations and residence of dignitaries but Brunei government also entered into agreement with British government to obtain services of the personnel retire from British army. By now Nepalese are spread all over the world for work and they are concentrated particularly in Gulf areas and Malaysia in civilian front.

([www.nepalnews.com.np/ntimes/issue169/economy](http://www.nepalnews.com.np/ntimes/issue169/economy)).

Remittance means transferring money from one place to another place with fatly way which is also called anti money laundering. Money laundering is the illegal attempt to hide the true source of money. It generally involves money that has been obtained through criminal activity, frequently drug dealing. Money launders use a variety of means to launder money so



that it cannot be easily detected. The Nepalese remittance is directly depends upon Nepalese workers abroad ([www.nepalnews.com.np/ntimes/issue169/economy](http://www.nepalnews.com.np/ntimes/issue169/economy)).

Remittance business is created by the foreign employment that has the long experience in Nepal. For the foreign employment Nepalese people are engaged before some centuries. The Nepalese people were earned “Brave Soldier” in the history of the world before of some decades. Nepalese people were earned a name and fame for the fighting and victory in the war so that they are called as “Bir Gorkhali”. Due to that reason, the demand of Nepalese people for the foreign soldier was highly attractive in the past time so they earned money in the foreign countries and brought in Nepal. The common name of Lahure is called to Nepalese people because they employed and earned money in Lahor which is in Pakistan now. Some of the Nepalese were earned money in Malaysia so they were called “Malayako Lahure” ([www.nepalnews.com.np/ntimes/issue169/economy](http://www.nepalnews.com.np/ntimes/issue169/economy)).

### **2.2.1 Use of remittance**

Comprehensive study on the use of the remittance is lacking however, the press reporting and cursory overviews of the activities of the families receiving remittances exposes a very dismissal picture. In lack of efficient institutional mechanism to transmit the workers income to Nepal various individuals with wrong intension have deceived the workers and exploited their earnings. At the initial phase of the workers are believed to pay the loan they used to go overseas in terms of fees to the agencies and the amount borrowed. It is said that the declining wage rate overtime in gulf, the workers need a complete year to free them selves from debt.

Demonstration effects are visible quite clearly in communities among the families having foreign employment. Luxurious items of electronics, dressing and outgoing behavior in day to day eating and drinking habits are common features. If anything tangible is achieved, out of remittance, it is the education of the children at so called boarding schools either at the capital city or the head quarters of the district where the mothers tend to look after the school going kids. In terms of assets formation large number of remittance receivers use their funds to purchase land or buildings or construct them selves. In some parts, means of transportation are purchased as part of investment. Very rarely such funds are found to have utilized to

promote agriculture and tourism. In short, empirically it could be asserted that meaningful or productive use of remittance income is yet to be sought though it forms a significant part of the GDP (Ksherty, NRB Annual Report 2006).

### **Use of Remittance: Some Paradox**

There is an additional paradox on how remittances are used. A study on Nepal which looked at the correlation between economic status, destination and remittances discovered that it is not only that the poor do not benefit directly, but that the rather well-off migrants who go abroad to get more lucrative salaries do not send money back home. The poor usually stay home since they do not have network, access to information or resources to go even to India. For those that go to India, they do not usually get the jobs they are seeking but have to buy the job through networks in India. The group going to the Gulf States and Malaysia are the ones that remit the money back home since they cannot keep the money there indefinitely. They are the ones that sustain Nepal's economy since they send back home 100 percent of the money they save. Those going to UK, USA, Canada or Australia do not usually remit the money to Nepal. They earn money and invest it in their country of residence, or use it to take family members to their new country of residence. As such it was found that it is not the people who are well-off but the less well to do labor migrants in the Gulf States and Southeast Asia who sustain the Nepalese economy.

An independent study on Nepal suggests that there is a vast discrepancy in the earning of the migrant workers and the money they actually send back home. In 2001, out of 1,154,576 persons who the study estimated were abroad as migrant workers, 900,000 were in India, 170,000 in the Gulf States and 40,000 in the West (Europe, US, Japan, Australia). Nepali workers in India remit on average only NRs 9,000 per year, while the migrants from the West send on an average NRs 450,000 per year, with those from the Gulf States accounting for an average of NRs 90,000 per year. Remittances from the West and Gulf States (mostly the latter) accounted for 75 percent, while the amount coming from India accounted for less than 20 percent even though 77 percent of the migrant head across the border.

Looking only at geographical distribution of migrants within their own Country and household distribution of remittances do not provide the full picture on the poverty reduction with remittances hypothesis. Sri Lanka's and Nepal's experience illustrates that even though large numbers of migrants going abroad are from the richest districts, and not the poorer ones, poverty reduction has taken place. In the case of Sri Lanka, 27 percent of the migrants were found to be from the Western province, which produces over 50 percent of the GDP of the country. Monaragala district where the poverty indicators are the worst has only one percent of migrant workers. There are only 15 percent of migrants from the entire North and Eastern provinces, while only small percentage of workers have migrated from tsunami affected areas.

In Nepal also the poorest of the poor (20 percent of the population) are not in a position to migrate. Labor migration has taken place from areas that are relatively richer, because it also requires investment.

However, the utilization pattern of remittance by recipients suggests that it can not only make the lives of the migrant workers less vulnerable but can also uplift them from poverty. One study suggests that out of the total income, remittance recipient families spend 56 percent on foods and 18 percent on education, which meets the basic needs of the families trying to move out of poverty. The utilization pattern of savings in real estates (44 percent), to clear indebtedness (13 percent) and education of children supports the poverty reduction hypothesis (Courtesy: Paper presented at a Seminar Jointly organized by South Asia Centre for policy Studies and Friedrich Ebert Stiftung).

### **2.2.2 Remittances and Poverty Alleviation**

A study done by UNFPA in 2006 looked at 74 low and middle income developing countries and found that there is statistically significant correlation between remittances and decline in poverty. It noted that 10 percent increase in the share of remittance in country's GDP can lead to a 1.2 percent reduction in poverty. Moreover, a 10 percent increase of migrant flow from the sending country will lead to 1.6 percent decline in the share of people living on less than \$1 a day. Although the methodology used in reaching the findings in the study is

somewhat controversial, the positive impact of remittance on employment and poverty alleviation is widely accepted.

Comparable data on the relationship between migrant remittance and poverty alleviation for South Asia are not available, but World Bank Global Economic Perspective Report, 2006, points out that remittance inflow has made it possible for Bangladesh to cut poverty by 6 percent. In Nepal, official statistics show that migrant remittances led to 11 percent poverty reduction at the national level.

Remittances impact on poverty reduction in a small country like Nepal can be even higher than the average impact for 74 countries indicated by the UNFPA study. There are two reasons why this can happen: first the country is poor and the per capita income is low; and second productivity is also low. For example, a study done by Nepal Living Standard Survey on the contribution of remittances in reducing poverty between 1996 and 2003 was 11 percent. The other contributors were the increase in agricultural wage, increase non-farm activities and some decline in the dependency ratio. But the major contribution was from remittances sent from abroad. In the same period, the households receiving remittances increased from 23 to 33 percent in the same period, and the share of remittance in total household income increased from 26 to 35 percent during the same period.

In Nepal, there are data that indicate there was substantial reduction in poverty despite the internal conflict. The Demographic and Health Survey (DHS) and the census data show drastic improvement in the socio- economic indicators such as in the areas as infant mortality, life expectancy, maternal mortality, health services etc. this was happening when the development indicators showed the country at a stand- still. One of the factor key responsible for improving the status of the people was remittances coming from abroad.

Remittances not only help to reduce poverty, but also to reduce the depth and severity of poverty in Nepal and other countries. The money that is available to families improves human development of the country since resources can be used to provide education for children and look after the overall health of the family members.

An important issue on use of remittances is: Do migrant workers channel international remittances into productive investments at home, or do they use such monies merely for consumption of consumer goods? There are not many studies on this silent issue, but one study on Pakistan found that remittances have a positive and significant effect on the accumulation of two assets in rural Pakistan: irrigated and rain-fed land. This is a significant finding since it suggests that instead of squandering their money on increased consumption remittances can and do lead to rural asset accumulation. The study found that in rural Pakistan migrants have higher propensities to invest than their non-migrant counterparts. And as a rule, migrants in Pakistan avoid investing in areas that they do not know (such as business) in favor of committing their resources to what they know best (namely land).

Other empirical studies on Nepal indicate that remittances improve the recipients' standard of living. On the average, Nepalese migrant workers received five to eight times higher income abroad than they received in their home country, and remitted on average 78 percent of their earnings. A reduction in the flow remittances can have dual impact on poverty: it can reduce the impact of trade liberalization by limiting the inflow of imports; and it can reduce the income' as well as consumption of the households.

Similarly, studies on savings and investment patterns in Bangladesh show that there is higher saving rates for remittance receiving household than for the non- receiving households. The largest share of their disposable income from remittances is spent on land, home construction and home improvements.

### **2.2.3 Migration and Inequality**

General theory of migration holds that the poorest of the poor do not migrate. It is only those who have access to resources and information that migrate. First generation migrants are therefore always from a relatively richer, or well do, background. Only when they go through their social network then some poorer people migrate. International migration incurs some costs and it will always be a limited to better off families who have access to social resource will be the one to migrate. The new generation theory of migration based on social network

focuses on information. The theory suggests that whoever has information will migrate, while money becomes secondary.

It is generally accepted that 'inequality is clearly a major of migration.' International migration is a powerful symbol of inequality where millions of workers and their families move each year across borders and continents seeking to improve the gap in their own position with those perceived to be economically better off. The real debate is not about the effect of inequality on migration, but the effect of migration on inequality. Examples can be found of migration both increasing and decreasing inequality in various part of the world. The final conclusion usually depends on the criteria that are used to evaluate the impact on migration on inequality. They could depend on the scale of analysis since circumstances that affect equality within the households, may be different between within a village, region or between countries. Location is another important factor since in destination countries migrants may not have equal access to rights compared to local workers; or in places of origin the selectivity of migrants, the sending of remittances and the social change that is brought about might affect socio-economic inequality. The time period is another significant factor since inequality is likely to change over time, because of the effect of networks which reduce the costs of migration and so extend the opportunity to migrate to a wide group of people. And finally, type of inequality one has in mind could also be significant sine other than economic inequality (income and wealth levels) there are others types of inequality involved: between men and women; between generations; or between different ethnic and cast groups.

Analysis of the impact of migration at the village level in Nepal indicates that there is a multidimensional aspect to migration and inequality. A study of move-ments labourers from a village to the UK found that international migration can increase inequalities within villages of origin since well-to-do individuals and villages that have better access to long-distance migration improves their position in relation to the poor. Migration becomes the pole around which inequalities are clustered since it brings not only economic inequalities, but also broader social and cultural cleavages. On the other hand, the study also shows that although inequality has increased between the well-to-do households and the very poor, it has

decreased inequality between the traditionally rich people in the village and the many poorer households who have now had opportunities to earn money abroad. In that village, migration has not only just brought money to the community but also brought considerable changes in landownership and altered the political, social and economic power base of the area.

When examining the relationship between migration and inequality the key words to keep in mind are access and opportunity. Where poor people have greater choice in terms of migration, the net effect on inequality is likely to be positive. Similarly, the more opportunities there are for migrants, the more beneficial the results. In fact, restriction on migration can increase inequality, as has been the case of the unskilled female migrants from Nepal who have been forced to use 'illegal' methods to migrate and thus become vulnerable to exploitation and subjected to gender income inequality.

#### **2.2.4 Labour Migration**

Over the past three decades, policies in the area of labour migration have developed along four major paths: growing restrictiveness and selectiveness in the admission of labour migrants in developed countries; a significant increase in the number of countries, particularly developing countries that have become host to foreign workers; the rising recognition that the rights of migrant workers and their families need to be protected and the adaptation of regional agreements on the free movements of persons (International Migration Report, 2002).

Globalization and integration of regional economies has added impetus to the growing mobility of workers across borders. In Asia, the movement of labour is becoming an important and enduring phenomenon associated with economic growth and development since it eases skill imbalances in labour markets and provides broad cultural and economic benefits for sending and receiving countries. Migrants' remittances for example are now a valuable and stable source of foreign exchange to many origin countries. At the global level, the importance of migration to development is now reflected in the fact that it has become the part of the agenda of multilateral institutions, as for example in the trade negotiations within the framework of the General Agreement on Trade and Services (GATS).

While market forces are driving labour migration, there are several signs of market failure associated with its related processes. A number of risks have been associated with migration including trafficking and forced labour, recruitment malpractices such as fraudulent job offers and exorbitant placement fees, debt bondage, sexual and physical harassment, employment in hazardous jobs and under of non-payment of wages. Experience suggest that state intervention through appropriate regulatory institutions and measures are essential to the efficient and equitable working if labour market.

Recruitment malpractices fraud and abuses are widespread in many Asian countries. To combat them government should have transparent systems in place for licensing and supervising private recruitment agencies. There should be stiff sanctions against fraud and against the practice of charging workers excessive placement fees: while providing incentive for good performance and cutting down lengthy bureaucratic procedures through such measures as establishing “one-stop” contract registration processing centers (International Labour Organization, 2003).

Despite major barriers to migration, irregular migration has grown in recent years in Asia due to among others, restrictive labour migration policies which are not in line with labour market needs. There is consensus that irregular migration is undesirable and must be minimized particularly as it often results in putting workers in a position of vulnerability to violation of their basic human rights. Until the First World War, international migration played a key role in the integration of economies of both sides of the Atlantic. After the Second World War, migration of workers contributed to economic and social integration between countries in South and North. During both these periods, labour went hand in hand with capital mobility and migration was key factor in the globalization of economies. International migration now seems to be excluded from the new process of globalization.

At the beginning of the twenty-first century, the total number of persons living outside their countries of origin worldwide was 175 million including 120 million migrant workers and their families according to the ILO estimates. It is estimated that 20 million African men and women are migrant workers and that by 2015 one in ten Africans will live and work outside



their countries of origin. While migration is bound to grow and offers development opportunities for both countries of origin and destination as well as for individual migrant workers ill-conceived or in-adequate policies have led to direct concern to the International Labour Organization and its constituent (International Migration Report, -2002).

It is surprising to know that the larger share of international population movement is in developing countries. The refugee burden is particularly heavy in developing countries, which receive nearly three quarters of all officially designated refugees and untold numbers of other forced migrants. In addition, the developing world contains numerous magnets for economic migrants, including the newly industrializing economies of Asia; the oil-producing Middle East Gulf states; West Africa; and the Southern Cone, Venezuela and Mexico in Latin America. While international migrants represent only a small fraction of the world's population, the impacts of these movements can be larger if compared to the numbers who move (International Labour Organization, 2003).

Who are these international migrants? They include people who have moved more or less "voluntarily" (e.g. short and long term workers ranging from unskilled labourers to highly skilled "professional, technical and kindred" [PKT] workers), as well as those whose movement is in some sense "forced" (e.g. refugees and bona fide asylum seekers and people who move for environmental reasons or "eco - migrants"). Included along this spectrum are many whose movement is a response to poverty and lack of employment at home.

Some are settlers whose migration whether undertaken legally or illegally is essentially permanent: others have moved (at least initially) on a temporary basis. In general, migrants tend to be young adults. Again, it comes as a surprise to many that between 40 to 60 percent of all international migrants worldwide – and over one half of refugees – are women and girls. In some migration streams (such as those from Sri-Lanka and Indonesia to the Gulf States), the majority of migrants in the 1980s were women.

Increase attention to the volume and directions of international population movements has been accompanied by growing awareness that migration is linked often in ways that are

poorly understood to the process of development itself. Developing countries, which both send and receive the majority of international migrants are trying to understand better the role of migration in the development process. Industrial countries for their part are examining the ways in which their trade, aid, investment and development assistance policies affect and are affected by international migration, especially from developing areas. In the case of migration, globalization and its dominating facet, foreign direct investment, may mean two opposing things. It can be viewed as the necessary complimentary between movements of production factor labour and flows of capital and goods or, conversely, as an alternative to the movement of workers. In the first case, globalization would lead to the growth and diversification of migration flows, while in the second international trade and capital movements would substitute migration.

Beyond quantitative changes, the essence of new developments brought in by globalization is the transformation of pattern of trades and productive systems. High skilled labours become more capital alike and are characterized through high international mobility, while movements of low skilled labour may become super-flows regarding rising capital profitability.

Many developing country governments encourage international migration, more often implicitly than explicitly. By providing employment for both unskilled and skilled workers, emigration offers an outlet for domestic frustrations that might otherwise present serious political problems and can produce large inflows of valuable hard currency remittances. The consequences of international migration for development (of development on migration) in countries of origin and destination remain hotly debated.

Many countries around the world are facing rapidly changing dynamics of labour migration. Migration pressures are increasing in all regions of the world. Migrant workers are often still subject to serve forms of exploitation in recruitment and employment to forced labour, substandard housing exclusion from social protection and denial of many basic human rights.

All too frequently, national migration policies, legislation and practices are outdated. Many Governments acknowledge that existing law and practice are manifestly inadequate to assure effective management of today's labour migration conditions.

During 2000 to 2001, a number of governments in central and South-East Asia, the Caucasus, the Persian Gulf and Latin America have asked the ILO to provide advice and technical assistance towards reformulation and modernization of labour migration legislation, structures, policies and practices. Our aim is to offer the relevant government a comprehensive review- analysis-recommendations package to address labour migration issues and needs, update legislation, policy and practices and implement measures for effective management of labour emigration and immigration. The ILO International Migration Branch has the accumulated knowledge, expertise and framework to respond to these challenges. It however, requires additional resources to provide adequate and timely cooperation to constituents.

### **2.2.5 Migration History of Nepalese**

Nepal has a long history of foreign employment in India, dating back to the beginning of the 19th century, when men from the hill areas of what was then known as Gorkha migrated westwards to city of Lahore in the northern region of Punjab. After the war in Gorkha area with the British East India Company (1814- 1816), an increasing number of "Gurkhas" also joined the British army in India, starting a tradition that continues till this day.

As Gurkha settlements in India increased in number and size, they also attracted Nepalese workers seeking civilian employment. In addition, the development of tea estates in northeast India (Assam and Darjeeling) increased demand for labour.

Nepali workers, both men and women, went in substantial numbers and a significant expatriate Nepali community began to grow in these areas.

According to a research conducted in 1997 by the Nepal Institute for Development Studies- the first systematic look at Nepali foreign labour migration- as many as 750,000 men and

women were working in India's private sector. Most were engaged in manual labour jobs in industry, construction work, agriculture or the service sector. Within a short period, the number of manpower agencies operating in Kathmandu to recruit and send Nepalese to the Middle East soared.

By August 2001, 87 percent of officially registered migrant workers were headed for the Gulf. An analysis of Nepali migrant workers in 2002- by the Nepal Institute for Development Studies for UNIFEM, revealed that two-thirds of Nepalese working overseas were employed in the Gulf, mainly in Saudi Arabia (42 percent), Qatar (11.5 percent) and the UAE (9 percent). The total was estimated at 465,000- 10 times more than in 1997.

In 1997, the value of remittance from Gulf countries was estimated at Rs 1.5 billion approximately US\$25 million. Considering other things equal, it can be estimated that remittances, like the number of Nepali workers in the Gulf, may have increased tenfold between 1997 and 2002. Links established through the Gurkhas stationed overseas in Hong Kong and Singapore made these countries prime destination for employment. In 1997, it was estimated that over 40 percent of all Nepalese living and working overseas were in Hong Kong, Singapore and Brunei – most of them in Hong Kong. The next most popular destination during the late 90s was Japan. Although immigration to Japan was illegal and the risk of repatriation (or jail) was high, Nepalese could earn over 10 times the average wage in Nepal, even in low-skilled manual jobs. A significant Nepali expatriate population had also developed in the UK. The majority of women working overseas were to be found in these countries, where remuneration rates are high, demand for domestic workers buoyant, and the support of significant expatriate Nepalese communities plentiful.

In February 2001, the Malaysian Government officially opened its labour market to Nepali workers. Within six months, over 12,000 labour migrants had left for Malaysia, and within a year, Malaysia was hosting 85,000 Nepali migrant workers. In total, it is estimated in 1997 that the value of remittances from countries not including India amounted to between Rs 25 and 30 billion, or between US\$ 450 and 500 million about the same amount though to be coming from India. The bulk of this remittance came from Southeast Asia (Malaysia,

Singapore and Brunei) and the Far East (Hong Kong, Japan and Korea). That number, combined with the remittances of India, would be between Rs 50 billion and 60 billion- nearly US\$ one billion and between 18 and 22 percent of Nepal's GDP- a very substantial contribution to the national accounts.

With the approval of the Labour Act of 1985, the Government of Nepal officially recognized the potential value of foreign labour migration 'overseas' i.e. beyond the Indian subcontinent. The Labour act has facilitated arrangements for Nepalese migration to a dozen specified countries, but the government has failed to develop a coherent labour export policy. Every five years, the Government of Nepal produces a plan as a policy guideline. Although the current 10th plan recognizes, the importance of remittance to national accounts and the increasing demand for Nepali workers abroad, the government is struggling to keep up with clearly formulated trends.

### **2.2.6 Internal Remittance**

Internal remittances occur when there is movement of money from and within the country usually between the rural and urban areas or within urban to rural areas. Circulation of money is the lifeblood of any economy, and internal remittance is a key instrument in this circulation. As we can see many people of rural areas are migrating to the urban areas for the job. Thus, they are earning in the urban areas and sending the money to their family who lives in the rural areas. Hence, the money of urban areas is migrating to the rural areas. This is called the internal remittance. The fund could be transferred from urban to rural areas, rural to other rural areas as well.

### **2.2.7 The Importance of Remittance to National Economy**

For labor surplus countries in South and South East Asia, remittance has served as one of the major factors for raising national income (GNP). In countries like India, Sri Lanka and Philippines, remittance has contributed a lot to raise the living standards of people and increase national savings. It provides a basis for investment and economic activities. Our concern should be that such income doesn't get wasted in consumption as we have liberalized our imports. If our people bring in cash with them instead of luxury goods and deposit it at

the banking system here, then the banks will be able to allocate them in a judicious way. This will help increase production and generate employment opportunities.

This can also help reduce our dependency on foreign aid and loan. If channelized properly, it can contribute to the long-term economic development of the country. Though international labor market is volatile and changes as per the cycle of production, we can become free of undue external interference and we will not have any future liabilities by tapping those markets. It is as good as commodity exports.

According to official figures, the remittance flow into Nepal stood at around Rs 32 billion in 2004/05. The remittance is reflected in two places, first service income and second, inward transfer in our statistics. In 2005/06, the total remittance flow stood at more than Rs 34 billion. As the money to import gold doesn't go through our banking channels, we assume that most of the gold brought into the country is financed by the remittance of the Nepalese workers serving abroad. As the import of gold is in declining trend for the last two to three years, our service income has also declined and so has the volume of remittance. Of course, there is a valid question that all the import of gold may not have been financed through remittance. This justifies the volume of remittance recorded.

So, if we can use these funds in appropriate way then obviously it will lead to a drastic change in our living standard. For the developing countries like Nepal, Remittance is one of the important aspects to raise their national income. There is a vast difference between the official figure and private studies. Some private studies have suggested that annual remittance flow into the country stands at around Rs 70 billion. If it is true then it may imply that we haven't been able to record this flow properly. But the situation now is that the Nepalese overseas workers can't get premium in 'black market' by selling their earnings as was the case till a few years back. That is why; the banking channel has emerged as a reliable and appropriate medium to remit their money. Secondly, with the expansion of banking services and different money transfer schemes operating here like western union money transfer, CG finance, International Money Exchange etc, there is no reason to decline the flow of remittance through official channels. Of course, there may have been some adverse

impact due to recession in the East and South East Asia upon the income of the Nepalese working there. The main reason behind so huge gap between the official and private studies is that they seem to have overestimated the remittance flow from India. They have estimated that remittance flow from India into Nepal ranges between Rs 35 to Rs 40 billion per annum. But we must not forget that it is a two-way traffic with India. An equal amount of money may be going to India through Indian nationals working here. If we had Rs 40 billion worth of Indian currency, where has all that money gone? People should come to banks to exchange the money. The Indian currency reserves with our banking system is only 8 to 9 billion rupees. So, in case of India we should consider on net remittance basis otherwise we will have one sided picture only. In that case, present figures will appear to be close to the reality.

### **2.2.8 Remittances should be channelized into the Productive Sectors**

In order to utilize remittance in the productive sector, it must be brought into financial system. Individual investors don't look into issues like project appraisal, cost-benefit analysis, rate of return, sustainability, market, future growth etc. Financial institutions are capable in doing all this. We have to expand our banking network and services of our financial institutions in order to tap those remittances. The stock market should be revamped. We can even issue bonds in the foreign currency. It is said that we are facing resource crunch to invest in say, power sector. In big infrastructure projects like Melamchi, we can issue such bonds and even sell them in the markets abroad where our people are working. As soon as the government guarantees return to their investment, the remittance will come into official channel and also be used in productive sector. Our banks should open their branches in the countries where there is concentration of Nepalese workers. A bank or agency could work to facilitate our people to go abroad by providing loans and channeling their money back home. If it is a bank, it has to work under certain norms. Commercial banks provide loans only against certain collateral. The Development Bank also has got its norms. The existing banks; say by opening an outlet in our embassies abroad where Nepalese are working.

### **2.2.9 Some Directions Regulated by the Government**

There have been some efforts to maximize the benefits. If we go back, we had only one or two major sources of income. Those sources were more organized like being employed in the

British Army or in the Indian Army and the employment in the South East Asia. In the last two decades, the sources have multiplied. Remittance is no longer identified as a formal sector. There are many informal ways of getting foreign employment. To manage that part is very difficult. The employers have diversified as have employees. Today the sources of employment are diverse. We are now focusing on facilitating the employees. For example, in Gulf countries, people are getting work in a formal way. The government is now planning to make Nepalese banks open up their branches abroad where Nepalese workers are concentrated. Some of the Banks have already started to open branches in countries like UAE.

## **2.2.10 Parties Involved in Remittance**

### **Remitter**

Person who sends money.

### **Remitting Bank**

Remitter's bank which receives fund from the remitter and sends fund.

### **Paying Bank**

Bank which receives message from remitting banks and pays to the beneficiary.

### **Beneficiary**

A person who is intended to receive money for the purpose of transferring funds, bank maintains account and correspondent banking relations with various banks in the world.

### **Nostro Account**

Account maintained by a bank with other banks. E.g. Nepalese Bank's account maintained at AMEX NY or ICICI Bank Mumbai or SCB London is the example of nostro account. Our accounts maintained at the book of these banks are nostro account and corresponding account maintained at our book to reflect the activities of these nostro accounts is termed as mirror account.

### **Vostro Account**

Other banks account maintained with us. E.g. Nepalese Bank's USD account maintained at AMEX NY is nostro account for us and the same account is vostro account for Amex NY.

While transferring fund through banking channel the settlement of fund is always done through nostro and vostro account.



### **2.2.11 Modes of Remittance**

There are various instrument used for fund transfer service. Normal consideration for choice of one particular instrument against other will be based on factors such as speed, cost, purpose etc.

Most frequently used instruments in remittance are:

1. Demand Draft
2. Mail transfer and Telegraphic transfer (Fax transfer)
3. Travelers Cheque
4. SWIFT
5. Letter of Credit
6. Plastic Cards

### **2.3 Review of Previous Thesis/ Research Works**

There has been very rare thesis works done to identify the impact of foreign employment and inward remittances on the economic development of the country. However, various works have been done in this particular area where researchers have tried to explore the growing unemployment problem in various countries, craze of people going abroad in search of employment and the impact of inward remittances entering inside the country of origin.

Before writing this thesis many books, magazines, websites and some previous thesis submitted has been studied regarding the various aspects of banking and some of them are as follows.

**Boss-KFA Research** (2006) entitled "*Remittance- Drives the Economy*". In this research, researcher has concluded that remittance has driven the nation's economy. Though there was a very difficult situation in Nepal, remittance has been able to hold the economy of the country. Because of the huge increment in the remittance received by Nepal, GDP of the nation was stable, moreover say slightly increased at a severe time in the history of Nepal, where there was an internal war between Maoist and Nepal Army. Therefore, researched has concluded that remittance is a very important tool to drive the nation's economy. Moreover, they have mentioned that remittance is very important tool for the development countries like Nepal.

The trend analysis conducted in term of remittance received by Nepal clearly showed that the growth rates of remittance are increasing day by day and year by year. As we can see in the present scenario that many people are migrating. Moreover, many people age between 18 to 40 have been migrating abroad in the search of opportunity. So, day by day the numbers of migrating people are also increasing and the day by day the amount of remittance received by Nepal have been increasing. As per the trend analysis, we expect NPR 110 Bio of remittance in Nepal. Looking to the increment of remittance flow in Nepal, it won't be a dramatic word if we say the remittance would be reached to NPR 200 Bio in Fiscal Year 2008.

**Gurung, Ganesh and Team** (2005) entitled "*Remittance*". This study has mentioned that remittance has recently become a major income source of rural economy in Nepal. Officially 285 persons (unofficially approx. 40-80 persons more) leave everyday from Nepal to work mainly in Gulf countries and Malaysia. Due to open border and recent conflict in Nepal, undocumented migration from villages of Nepal to India has rapidly increased. This case study has been designed and conducted in two villages namely Kalabang (inhabited by Gurungs and Dalits) and Pumdi (inhabited by Brahmin and Chhetri) of Kaski district. Therefore, this study does not include total volume of remittance flow in Nepal. This study has shown the comparative migration patterns of two villages and impact of remittances at household level. The procedure of money transfer and impact of the remittances to the household in particular and to the local economy has been shown in this study.

**Gaudel, Yadav Sharma** (2004), entitled "*Remittance Income in Nepal: Need for Economic Development*". Researcher has included the significance and the importance of remittance in Nepal or should say for the developing countries. He has pointed out the fact that remittance is a very important tool for the economic development. He has also mentioned the contribution of remittance to the GNP of the nation. Year by year the contribution to GNP has been increased. He has compared remittance with the foreign direct investment.

Researcher has concluded that remittances and grants are claimed as an important source of increasing foreign exchange earnings in Nepal. Moreover, remittances may be a dependable source of national income for economic development if there is job guarantee for the workers

with the wage level equivalent to the residence of the 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 remittances 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.

**Glinskaya, Elena; Bontch-Osmolovski, Mikhail and Lokshin, Michael (2005)**, entitled *"Work-related Migration and Poverty Reduction in Nepal"*. Using two rounds of nationally representative household survey data in this study, the authors measure the impact on poverty in Nepal of local and international migration for work. They apply an instrumental variable approach to deal with nonrandom selection of migrants and simulate various scenarios for the different levels of work-related migration, comparing observed and counterfactual household expenditure distribution. The results indicate that one-fifth of the poverty reduction in Nepal occurring between 1995 and 2004 can be attributed to increased levels of work-related migration and remittances sent home. The authors also show that while the increase in work migration abroad was the leading cause of this poverty reduction, internal migration also played an important role. The findings show that strategies for economic growth and poverty reduction in Nepal should consider aspects of the dynamics of domestic and international migration.

**Seddon, David with Adhikari, Jagannath and Gurung, Ganesh (2006)**, entitled *"Foreign Labor Migration and the Remittance Economy of Nepal"*. In this study authors have mentioned the number of foreign labour migration and the remittance received from the different country. This study has showed the value of remittance to rural households. The study has covered the unrecognized remittance economy of Nepal as well. Researchers have requested government to establish that type of system which helps to recognize these types of unrecognized remittance flow in Nepal.

**Dahal, R (2006)**, entitled "*Nepal's Remittance Bonanza*". This study has highlighted the fact that Nepalese working abroad earns more hard currency for their home country than all exports, tourism and foreign aid put together. Study has mentioned that in past no one was marking the data of labour migration and the remittance flow in Nepal. However, mainly from 1982, government has recorded the flow of remittance and the number of people migrating from the country. Before 1982, only the remittance send by Gurkhas are recorded. But now, remittance send by all people have been recorded. It has also showed the data of remittance sent by Gurkhas. However, this study doesn't mention all the remittance received in the recent years as this study is made a long time before.

**Himal South Asian Magazine (2005)**, entitled "*Remittance Economy*" analyst Pranab M Singh. Article has mentioned that the huge numbers of Nepalese people are migrating every day. The study has mentioned the reason behind this migration is not finding the satisfactory work in the country. Many people are migrating to the abroad in search of opportunities. Nowadays, the flow of remittance has been mostly under formal channels as the informal channels are out of date. However, a person who does not wants to pay the commission charge to the institutions uses the informal channels.

The website of **World Bank** has shown that despite of conflict in Nepal, the poverty between 1996- 2008 has been decreased due to five drivers and the main driver which decreases the poverty is remittance. Many people of lower middle class family are migrating to India, Dubai, Qatar, and Malaysia etc. for the opportunities. Their family's living standard has been increased due to the money they send to their family from abroad. And because of this the poverty level of the nation has been decreased than the past year.

The website of **Nepal Rastra Bank** shows the data of remittance received by Nepal in the respective years. As per the data presented by Nepal Rastra Bank, the volume of remittance has been substantially increased in the recent years. However, Nepal Rastra Bank's site only shows the data of remittance recorded which has flows from the formal channels. It does not include the volume of remittance flow from the informal channels. Hence, the data presented by Nepal Rastra Bank obviously does not show the actual volume of remittance flow in

Nepal for the period. As we know that the huge amount of remittance flows through informal channels. Therefore, the increment showed by Nepal Rastra Bank in remittance field must be less than what it should be due to the informal channels.

## **2.4 Conceptual Framework**

Various researches have been conducted internationally on the issue of international labour migration and remittance economy but in the Nepalese context, it is found that very few researches/studies have been conducted to analyze the economic impact that the inward remittance might have due to the international labour migration. Despite of those lacking, this study tries to identify the features, characteristics, levels and trends of the Nepalese international labour migration on one hand whereas on the other hand it tries to explore the impact that the inward remittance sent by these labours have on the overall economy of the country.

With the increase in the number of workers, the inflow of remittances has also taken an upswing. Moreover, because of the policy steps taken for enhancing the inflow of remittances to the country through the official mechanism the share of remittances coming through the official channels has gone up. The mounting remittances have led to a surplus in the current account, thereby strengthening the overall balance of payments position. Despite of such a large volume of inward remittances soaring inside the country as a result of booming international labour migration from Nepal, there stick remains some questions unanswered. On the basis of the above mentioned review of literature this study hence identifies the following questions which need to be answered so as to be cleaner on the impact of foreign employment and inward remittances for the overall economic development of the country.

- ) Exactly what is the impact of international migration and remittances on the underdeveloped country like Nepal?
- ) What can be done to enhance the skill development of people going abroad for foreign employment?
- ) What is their impact on poverty in different regions of Nepal?

- J What is the micro macro level impact of inward remittance business in Nepal and its contribution to the GDP?
- J What can be done to bring the money transfers into the official fold?
- J What sort of development do these flows actually finance?

# **CHAPTER - III**

## **RESEARCH METHODOLOGY**

### **3.1 Introduction**

Research methodology is a set of rules and procedures that are considered while conducting the research. It refers to the aggregate of the research design used, data collection technique used, sampling design implemented, statistical tools and techniques employed and so on. Research methodology has now a due place in the academic programs of the universities in Nepal. The research orientation and activities are encouraged in the college and universities in order to reinforce and improve learning, and to enhance analytical and research skills. Also, it is now widely accepted that an understanding of the concepts and methods of research is not just the concern of the university family, but is essential for other professionals working in different fields. Thus, over the past few decades, the level of interest in research methodology has exploded.

The knowledge of research method helps the researcher to find out the exact problem and suggest possible solution before the situation gets out of control. Basically, there are four methods of research. They are:

- i. Policy Research
- ii. Action Research
- iii. Evaluation Research
- iv. Managerial Research

This study deals with the evaluation of effectiveness in the advertisements that are produced by different ad agencies on behalf of the respective companies. Thus, this study has used the evaluation research method which includes research design, population and sample, nature and sources of data, data collection etc. which will be further dealt in detail.

The main objectives of this study are to examine the impact of the large pool of workforce leaving the country as well as the contribution made by the inward remittances sent by this

workforce in the economic development of the country. To achieve these objectives, the study requires an appropriate research methodology. Therefore, this chapter highlights about the methodology adopted in the process of present study.

An appropriate choice of research methodology is a difficult task, which is must necessary to support the study in realistic term with sound empirical analysis. So that the study uses the following research methodology like research design, population and sample, data collection procedure, methods of data analysis, methods of presentation etc. Detail explanations of the above points are given which seem appropriate to understand methodology in detail.

### **3.2 Research Design**

A research deign is a set of instructions to the investigator to gather and analyze his/ her data in a certain way. Research design describes the general plan for collecting, analyzing and evaluating data after identifying. Research design is an integrated system that guides the researcher in formulating, implementing and controlling the study. Useful research design can produce the answers to the proposed research question.

According to Kerlinger, “A research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance.” Thus it answers the following questions:

- ) What the researcher wants to know?
- ) What has to be dealt with in order to obtain?

The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of the data.

Similarly, According to Woulf and Pant, “Research design describes the general plan for collecting, evaluating data after identifying what the researcher wants to know and what has to be deal with in order to obtain the required information.”



The research design is thus an integrated frame that guides the researcher in planning and executing the research works and to provide a maximum amount of information relevant to the problem under investigation at a minimum cost.

Research design may include different forms such as historical research, descriptive research, development research, correlation research, case study research, casual comparative research, true experimental research, quasi experimental research, action research and explorative research. In this paper, descriptive and explorative designs have been used.

This study has been made in a historical and descriptive manner. Many past data are used to identify the trends of remittance in the past years. Many search and investigation has been done focusing on the present scenario in the remittance field. For this study, we have made the investigation with several banks, some books of remittance and questioning some important questions of remittance to the concerned person of money transfer companies. Therefore, use of past and present data of remittance has helped to study the remittance in Nepal.

The research design is an organized approach and not a collection of loose, unrelated parts. It is an integrated system that guides the researcher in formulating, implementing and controlling the study. Useful research design can produce the answers to the proposed research questions. The research design is thus an integrated frame that guides the research in planning and executing the research works.

### **3.3 Population and Sampling**

The population for this study comprised of all the Nepalese going abroad for foreign employment. Since the people going abroad for foreign employment could not be interviewed their family members have represented on behalf of them and have been selected as the population for this study.

The number of people leaving the country for foreign employment is in an increasing trend. Inward remittances entering inside the country of origin are the result of the efforts made by

such people opting to go abroad for foreign employment. They send their hard earned money to their belongings here in their country of origin either through the banking channels or by some other informal channels. These funds are collected either from banks or other institutions working as sub agents at various locations. People coming to collect such funds have been selected as the sample for this study. To be more specific, of such people coming to collect the funds sent from abroad 125 were selected as samples for this study using cluster sampling method. Clusters comprised of people coming to collect the fund and amongst such clusters few persons were randomly selected and interviewed.

### **Methods of Sampling**

It is very important to decide which method to use for the sampling before we take the sample. The method used depends upon the nature of the data, the objectives and the availability of time and cost. Generally, there are two types of sampling:

#### **A. Probability Sampling**

In this method, every element in the population has a known non zero probability of being selected. This is attained through some mechanical operation of randomization. There are four main types of probability samples- simple random, systematic random, cluster and stratified.

#### **B. Non Probability Sampling**

Non probability sampling is those sampling method which are not determined by chance, but rather by personal convenience, or judgment of the researcher. There is potential for bias in this type of sampling but still it is used because it may be the only one which is accessible. There are four types of non probability sampling convenience sampling, judgmental sampling, quota sampling and snowball sampling.

### **3.4 Nature of Data**

The word 'data' in a simple sense is aggregate of facts which can numerically be expressed. Data are raw, facts or unanalyzed number which provides some important information after they are processed. Data are gathered for making correct and important decision concerning

the field of enquiry. However, depending upon the nature of data, they are classified as primary data and secondary data.

#### **a) Primary Data**

Primary data are those data which are originally collected by the researcher for the first time for the purpose of enquiry. These types of data are obtained in the survey and enquiries conducted by government, some individual, institution and research bodies. For example, an investigator wants to study the salaries of teacher working in the campus then the data collected by the investigator himself through different interviews and questionnaires are primary data.

#### **b) Secondary Data**

Secondary data are those which are originally collected by other but obtained from some published or unpublished source. These are not original in character. These data are actually copied from primary data. It means that primary data once collected and published become secondary data for those other investigators. The source may include books, periodicals, published reports etc. In this research, we have mainly used the secondary data collected from the books, website, internet and the articles of magazines.

### **3.5 Sources of Data**

Simply, source means any place or people from where and whom something emerges. Data may be obtained from several sources. Each research has its own data needs and data sources. However, the general classification of data sources has the following dimensions:

#### **a) Primary Source**

Primary data are original data gathered by the researcher for the research project at hand. Thus, this data are collected for meeting the specific object of the study. Primary data can be collected through:

##### **) Direct Interact with Person**

By interacting with the related person directly the primary data can be collected. The researcher group personally contacts the informants and collects the data regarding their project. Thus person can be primary source.

### ) **Telephone Interviewers**

Telephone interview today is well-established source of data collection. With the telephone becoming more and more widespread, there is also a growth in the number of research being conducted through telephone. Question can be asked verbally, the interviewer must be careful about the use of words. Thus the telephone interview can be the primary source.

### **b) Secondary Source**

Secondary data are actually the results and data collected by previous investigators. It provides the researcher with a considerable amount of useful information. Secondary sources may be:

### ) **Documents and Office Records**

An administrative office usually requires and collects a large amount of information on all aspects of its operation. This information is already recorded on especially designed forms and is stored in office files. The office can supply the necessary data to the researcher. The researcher should have the good ideas of exactly what information they need. Sifting through the files without a design looking for information is a waste of time and most office probably would not allow it. Obtaining data from documents and office records requires preparation before entering an office and the researcher can easily obtain the required data.

Thus the documents and office records can be the source of secondary data.

### ) **Books**

Many books by many authors may be the source for researcher for collecting the secondary data. Books could have the detailed information regarding the topic choused by the researcher.

### ) **Articles and Magazines**

Articles and magazines may be the sources for collecting the secondary data. When the researcher needs the necessary information about any project they can easily obtain the necessary information through articles and magazines. Thus articles and magazines may be the sources for collecting the secondary data.

### **) Website and Internet**

This is also one of the sources of collecting the secondary data. Many organizations have their own website and all the details are kept on the website. By using the website and internet the researcher can easily collect the necessary information via website and internet. Thus website and internet can be the sources of collecting the secondary data.

### **) Statistical Published Data**

Statistical published data may be the sources of collecting the secondary data. In the various time intervals the organization publishes their statistical data for the public by using these data the researched can collect the necessary data.

## **3.6 Data Collection**

Collecting data is the connecting link to the world of reality for the researcher. The data collection activity consists of taking ordered information from reality and transferring it into some recording system so that it can later be examined and analyzed for pattern.

In order to fulfill the objectives of research, researcher has collected data from primary and mainly from secondary sources. Various methods are available in order to collect the data. After developing scheme researcher followed different procedures:

- )** Prior approval of the sampled organizations was taken.
- )** The researcher visited the sampled organization.
- )** Researcher asked some question which relates to topic with the concerned person.
- )** Then after researcher got right response and got answer back.

## **3.7 Data Collection Procedures**

As the present study is being undertaken to evaluate the impact of foreign employment and inward remittance on the overall economic development of the country, the secondary sources of data are used in the study. The supplementary data and information are obtained from various sources like quarterly reports and annual reports of the Department of Labour and Nepal Rastra Bank, various published and unpublished periodicals, magazines and

dissertations and all available reports and materials of Nepal Rastra Bank (NRB) on inward remittances as depicted on Balance of Payment figures.

Besides these, various concerned individuals were directly approached to gain required relevant information. A questionnaire schedule was designed in view of the data requirements. The schedule was administered to the people who had come to collect the funds sent by their relatives from abroad. Almost all the people who were approached for the questionnaire readily agreed to respond to the questions. The average time taken for an interview was 15 minutes.

### **3.8 Sample Characteristics**

The sample comprised of 125 respondents who had come to collect the remittance sent by their relatives from abroad. Due to the time constraint the samples were selected on the basis of their presence at the money collecting centers at various places. Out of the total respondents only 5 were the ones who had personally remitted the funds from abroad and had come home during their vacation.

Most of the respondents i.e. three-fourth were the wives of the persons remitting funds from abroad. Rest one-fourth was represented by remitter's father, mother, brother etc. on an average three children per family were dependent on the inward remittance sent by their parents. Sixty percent of the respondents were illiterate and out of them had high school education and the rest could only write their name.

### **3.9 Techniques of Data Presentation and Analysis**

The presentation of data is the basic organization and classification of the data for analysis. After data collection is completed, the data will be in what researchers call "the raw form". The data will still be on questionnaires, data collection forms and note cards. It is necessary to arrange the data so that it makes some sense to the researcher and so that it can later be presented to the readers of the thesis. Different types of data require different methods of summary and presentation. There are a number of methods, which can be used to simplify the data. The easiest way to understand data is by examining it in charts, graphs and tables.

But even before one can arrange data in tables and charts, it is necessary to rearrange the raw data. Organization and processing of data require knowledge of some technical methods. There is a definite sequence for analyzing data. The overall process of analyzing data can be viewed as involving a number of separate and sequential steps. The activities in data processing include editing, coding, classification and tabulation of information (John Wiley, 1992: 275).

Both the primary data collected during the survey at various locations where the connection of people going abroad for foreign employment is higher and secondary data gathered from various sources were categorized, tabulated, processed and analyzed using different methods.

### **3.10 Analytical Tool**

After the collection of data, another step is to analyze it. Since, huge and wide masses of data are confusing and difficult to remember, the data representing the required value for the study purpose can only be used by different analytical tools. Measurement of central tendency is also known as measures of average. The average is the measure which condense a huge mass of data into signal value representing the whole data. Similarly, dispersion is the scatter ness of the items from the central value so it is the measure of variation in the items from the central value. Skew ness and kurtosis is another tool for data presentation. Skew ness relates to the shape of the curve of the frequency distribution. Likely, kurtosis refers to the degree of flatness and peak ness of the frequency distribution in comparison to normal distribution. Two values are said to be have correlations when they are so related that the change in the value of one variable is accompanied by the change in the value of the other.

As this paper is based on theoretical concept not figurative data, no such tools have been applied in it. However, simple mathematical tools i.e. percentage, graph, simple regression has been used.

# **CHAPTER - IV**

## **DATA PRESENTATION AND ANALYSIS**

### **4.1 Introduction**

The main purpose of analyzing the data is to change it from an unprocessed form to an understandable presentation. Analysis of data comes prior to interpretation. The facts and figures collected are to be processed with a view to reducing them to manageable proportions. The analysis of data consists of organizing, tabulating and performing statistical and financial analysis.

This chapter is the main part of the proposed study. Here, it is attempted to the data provided by Nepal Rastra Bank and other sources of inward remit from private companies. Both the primary and secondary data received from the NRB and different remittance companies have been used for analysis of the inward remit. Since last few years, the inward remittance is in increasing trend.

In this chapter, efforts have been made to present and analyze the collected data. Data collected from various sources were classified and tabulated as requirement of the study and in accordance to the nature of collected data. Different arithmetical and statistical tools are used to analysis the data. To make easier and make clearer to understand, data are presented on the required figure also. Simple percentage was used to analyze the data as arithmetical tools.

Foreign employment in Nepal is seen to have been established with the inception of requirement of Nepalese as Gorkha Soldiers in 1815 A.D. till it has come to the current stage. Foreign employment now is completely different from what it was years ago. There are approximately 528 manpower agencies involved in recruiting the Nepalese for different purpose on behalf of the companies from abroad out of which only 475 agencies are operating as per the record of Department of Labour.



To know in more detail about the state of foreign employment, inward remittances and its impact on families receiving it, a survey was conducted on the following locations where the concentration of people going abroad for foreign employment is very much higher. Due to some unavoidable circumstances the survey had to be limited to the following places:

1. Birtamode, Jhapa
2. Urlabari, Morang
3. Biratnagar, Morang
4. Rajbiraj, Saptari
5. Lahan, Siraha
6. Siraha, Siraha
7. Mirchaiya, Siraha
8. Janakpur, Dhanusha
9. Jaleswor, Mahottari
10. Malangwa, Sarlahi
11. Gaur, Rautahat
12. Kalaiya, Bara
13. Birgunj, Parsa
14. Hetauda, Makwanpur
15. Narayangarh, Chitwan
16. Butwal, Rupendehi
17. Taulihawa, Kapilbastu
18. Pokhara, Kaski
19. Baglung, Baglung
20. Beni, Myagdi

## **4.2 Data Presentation and analysis**

### **4.2.1 Size of the Family Members and Major Sources of Income**

Amongst the 125 respondents during the survey conducted at the above mentioned locations, 60 percent have a family size of 1-5: another 35 percent having a family size of 6-10 and 5 percent were having a family size of more than 10 persons living together. It is due to the greater family size specially found in the Terai regions from Bara, Rautahat, Sarlahi,

Dhanusha, Mohattari, Siraha and Saptari districts which has opted the people from these areas to go abroad for foreign employment so as to earn living for their family members.

During the survey, it was found that there were few houses which had more than three of their family members living abroad i.e. had opted to go abroad for foreign employment as they could not find a job here in Nepal and was finding it difficult to meet the expenses for their basic needs such as food and shelter. Amongst the respondents, 88 percent had one of their family member working abroad to support their families here in Nepal. Similarly 9.6 percent had two, 1.6 percent had three and 0.8 percent had more than three of their family members working abroad.

Nepal, a small agrarian economy in south Asia has a different picture as was revealed during the survey. The dependence over the earnings made from the agricultural produce has now shifted to some other sources or income due to the ongoing Maoist activities in various parts of the country wherein the farmers are not allowed to sell their agricultural produce. 50 percent of people had their major sources or income as the inward remittance that they receive on a periodic basis followed by 24 percent as agriculture, 18 percent working on a daily wage basis and services and the rest 8 percent from the cattle they own.

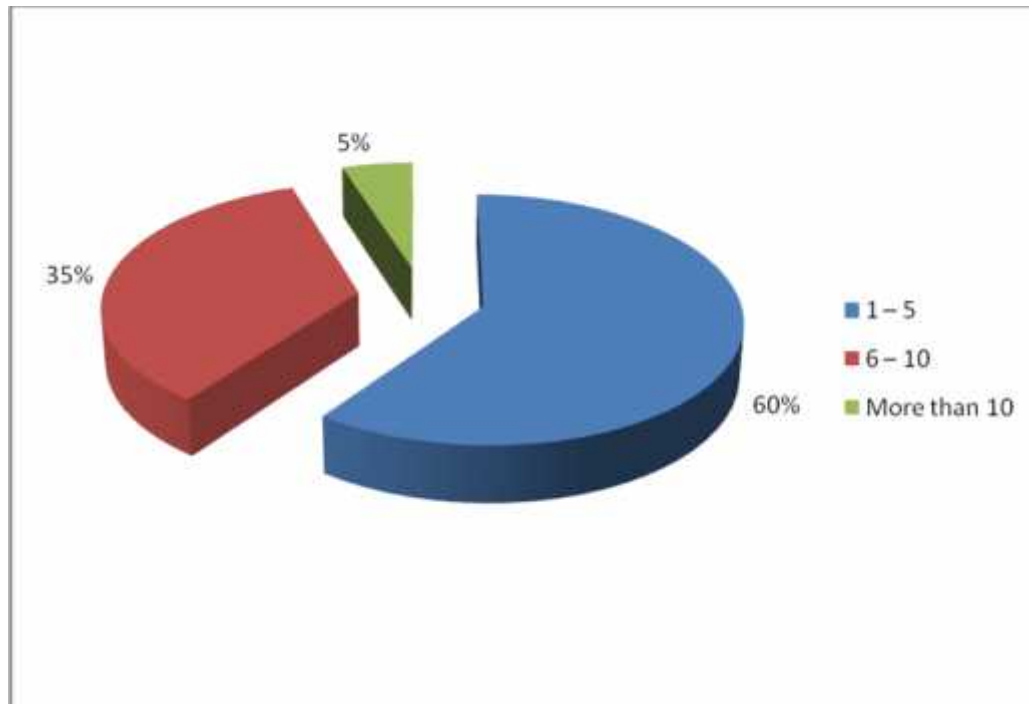
From this it was seen that the growing unemployment problem prevailing in the country, the ongoing Maoist activities which has made it difficult for the younger generation to work independently in their land of origin and the growing poverty has led the large pool of work force to search for some other better options to earn their living. The country unable to absorb all the workforce entering into the labour market every year has been a major cause of increasing unemployment. Willingly or unwillingly large pools of unemployed workforce have hence opted to go abroad in search of foreign employment. Their earnings sent from abroad have become a major source of income to most of the families dependent on their income here in Nepal.

**Table 4.1**  
**Family Size and Sources of Income**

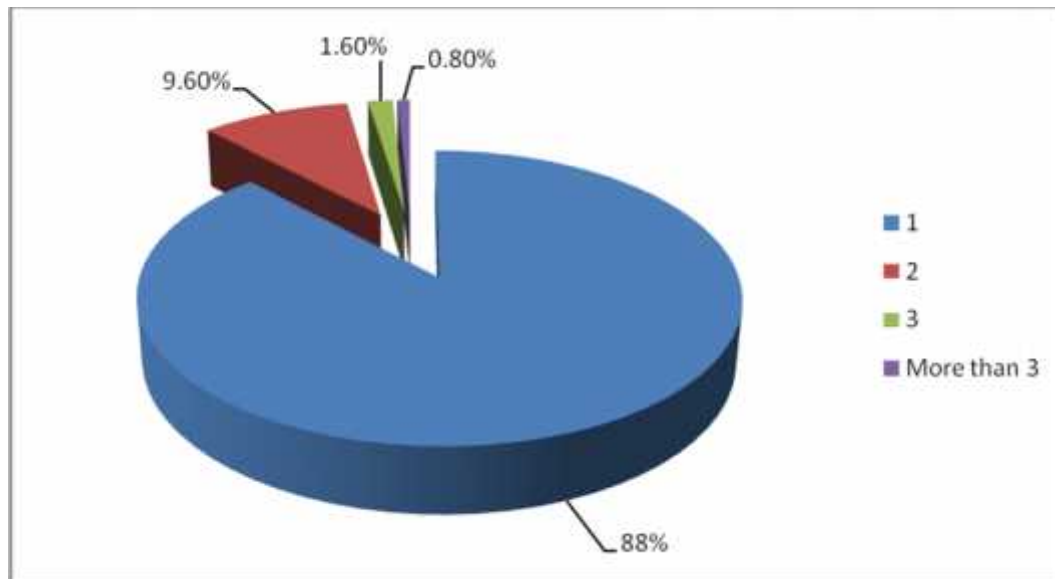
Particulars		Percentage
Family Size	1 – 5	60
	6 – 10	35
	More than 10	5
Family members living abroad	1	88
	2	9.6
	3	1.6
	More than 3	0.8
Sources of Income	Agriculture	24
	Cattle Farming	8
	Service	18
	Remittance	50

*Source: Field Survey at Various Places, 2009*

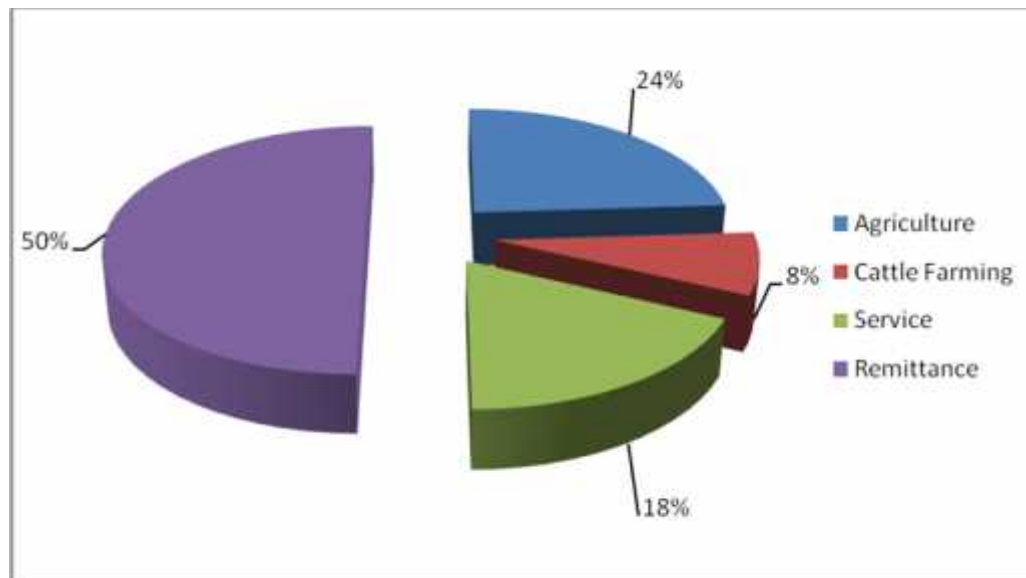
**Figure 4.1**  
**Family Size**



**Figure 4.2**  
**Family Member Living Abroad**



**Figure 4.3**  
**Source of Income**



### **4.2.2 Labour Market and Nepalese Manpower Supply**

The history of Nepalese labour force going abroad for better opportunities dates back to the early nineteenth century when Nepalese soldiers were recruited in the British Army. This

trend has continued to this day, with more than 60 thousand Nepalese working in the Indian Army and other government institutions in India [Pandey, N.N.April 2005). Realizing the imperatives of the foreign employment in the economic growth of the country, His majesty's Government of Nepal introduced Foreign Employment Act in 2042 B.S. (1985 A.D.) and joined the employment market by sending its surplus manpower abroad for employment. But in reality, the outflow of the Nepalese workers from the country in considerable number started after 1990 (Royal Nepalese Embassy, Doha, Qatar Website, Manpower Recruitment from Nepal, website: <http://www.rnedoha.org.qa/recruitment.htm>.)

It was only when the countries in the Middle East opened their door for foreign employment during the nineties which led the larger pool of unemployed workforce to go there in search of employment. Eighth and Ninth Development Plan further recognized the importance of foreign employment and the benefits that the country can get from this and thus highlighted policies which facilitated Nepalese wanting to go to the Middle East for foreign employment. As a result of this currently Middle East singly constitutes 86% of Nepalese going abroad for foreign employment excluding India. Manpower Agencies then started mushrooming in the capital city, having recognized the scope of being a facilitator to bridge the gap between the labour surplus country and countries demanding for it.

**Table 4.2**  
**No. of People Involving in Foreign Employment**

Year	Male	Female	Total
2004/05	115531	237	115768
2005/06	189389	265	189654
2006/07	204143	390	204533
2007/08	237747	4555	242302
2008/09	208452	871	217164

*Sources: The Kathmandu Post Friday, Nov. 13, 2009*

### **4.2.3 Age, Educational Qualification & Duration of Contract to Work**

The current trend shows that the flow of people going abroad for foreign employment mostly comprises of labour class people. Due to the modality of such work it requires young, energetic and healthy people to be recruited. Amongst all the respondents on behalf of their relatives working abroad, about 60 percent of Nepalese workers' age was found to be between 26 to 40 years. Similarly 21.8 percent were over 40 years and 18.8 percent were young people of not more than 25 years old.

Educational qualification is something which is considered less important for the large pool of workforce leaving the country daily in search of foreign employment especially for those going towards the Middle East as revealed in the survey. Most of the people going for foreign employment belong to the semi-skilled or unskilled category hence requiring lower or no educational qualification at all. According to the survey, the largest portion of the labour force only have an educational qualification of primary level and represent 53.8 percent of the total population, followed by 21 percent who have passed S.L.C., Intermediate Level (16.3 percent) and those having a qualification of graduate level covers 8.8 percent of total population.

It was observed that the labour demanding states do not directly recruit its employees on a long term basis. It is done on a contractual basis and is normally for a duration ranging from 1 – 5 years with the provision of extending it provided that there is no bad record against such employee. However, the extension decision completely depends upon their discretion. According to the survey, amongst people who have gone abroad for foreign employment about 25 percent were found to have gone for a duration of 1 year, whereas people staying for 1 – 3 years comprised of 26.3 percent. Similarly 18.1 percent were found to have been working there for duration of 3 – 5 years and the rest 30.6 percent were found to have been working there since last 5 years i.e. for more than 5 years.

**Table 4.3**

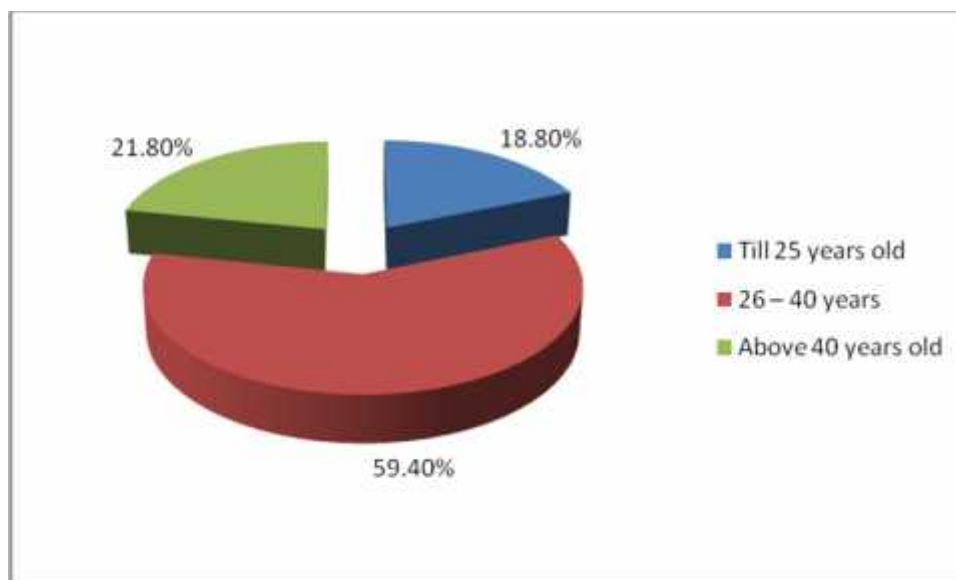
**Details of individuals going abroad for Foreign Employment**

Particulars		Percentage
Age	Till 25 years old	18.8
	26 – 40 years	59.4
	Above 40 years old	21.8
Educational Qualification	Below SLC	53.8
	SLC Equivalent	21
	Intermediate Level	16.3
	Graduate Level	8.8
Duration of Contract to Work	For 1 year	25
	1 – 3	26.3
	3 – 5	18.1
	For more than 5 years	30.6

*Source: Field Survey at various Places, 2009*

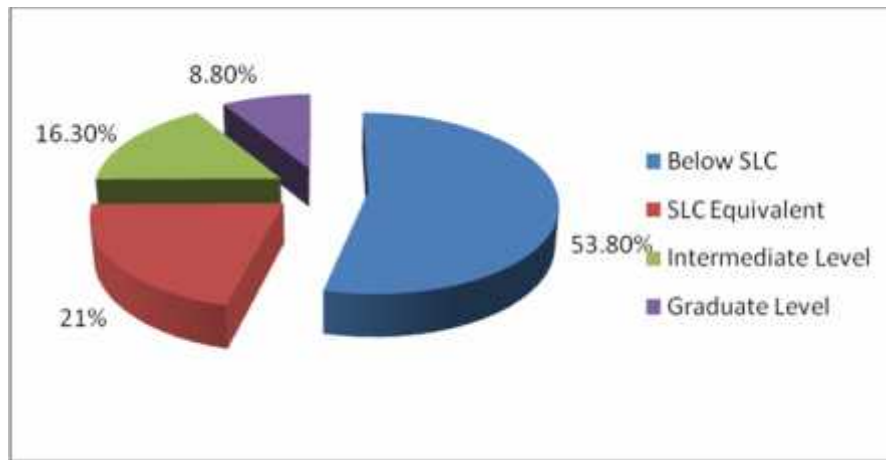
**Figure 4.4**

**Age wise Distribution of Nepalese Going for Foreign Employment**



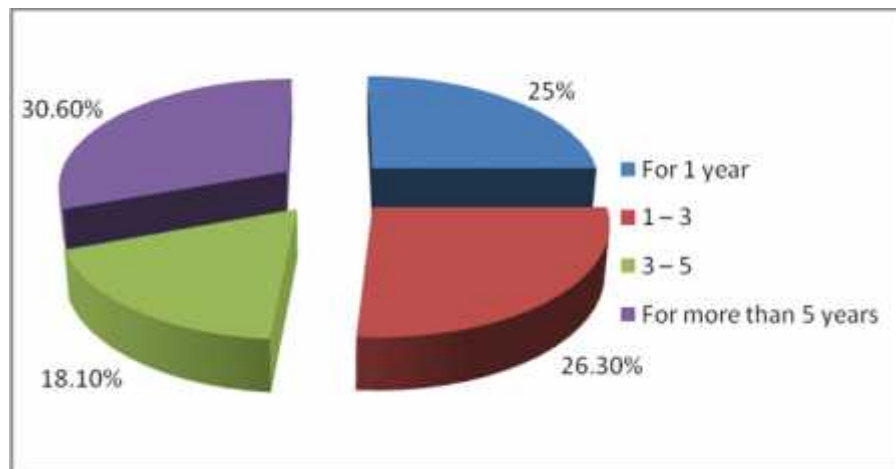
**Figure 4.5**

**Education Qualification of Nepalese Going for Foreign Employment**



**Figure 4.6**

**Duration of Contract to Work**



**4.2.4 Contribution of Remittance to GNP**

Remittance as major component of current account<sup>1</sup> plays a vital role in increasing current transfers in balance of payments. The basic factors of determining current transfers are grants, workers remittances, pensions and others including excise refund also. This is clear from Table Initially, the share of remittance to GNP was found 1.74 percent in mid-July 1991. This share increased sharply (9.38 percent) after the period of mid-July 1999 and eventually reached to 12.03 percent in mid-July 2005. On average, the share of remittance to



GNP was 11.03 percent during the review period from mid-July 2002 to 2008. Under the transfer category of BOP, remittance income increased by 11.65 percent totaling Rs.65.42 billion in 2005 due to the increasing trend of Nepali workers going to Malaysia and Gulf countries for employment (MOF, 2008). During that period, the grants and pension also increased by 7.72 percent and 58.06 percent respectively. Thus, from this analysis it is clear that the remittance income has become an important contributor (64.72 percent) to the current transfers in balance of payments of Nepal. 1 Current account consists of services net, income net and transfer net in BOP.

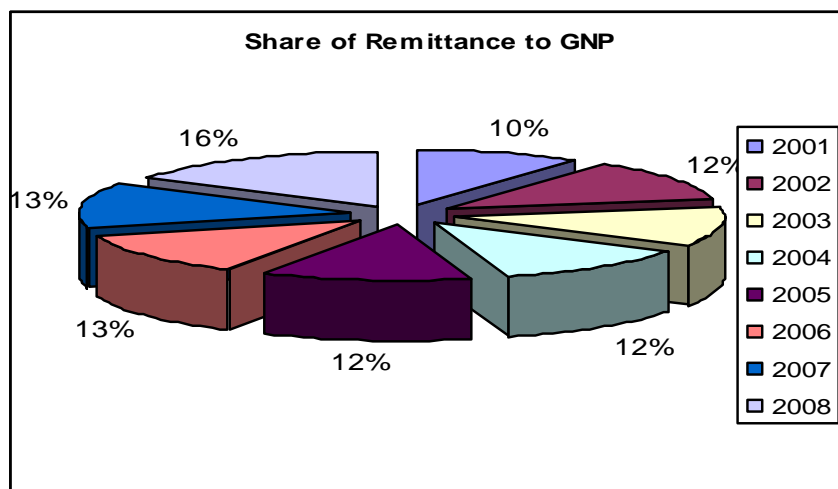
**Table 4.4**  
**Share of Remittance to GNP**

(Rs. In Million)

Year Mid-July	Grants	Workers' Remittance	Pensions	Others	Total	GNP at Current Price	Share of Remittance To GNP
2002	12874.8	36818.1	10976.3	1318.9	61988.1	392613	11.05
2003	13842.2	47216.1	11738.3	1456.1	74252.7	427447	10.77
2004	19557.8	54203.3	12259.5	1700.9	87721.5	441182	11.46
2005	21071.9	65541.2	12502.2	2194.8	101310.1	472869	11.49
2006	18851.1	97688.5	12007.6	2314.5	130861.7	509700	12.03
2007	18218.2	100144.8	12937.0	1896.8	133196.8	543902	12.22
2008	20993.2	142682.7	18789.9	2997.1	185462.9	594871	15.03

Sources: Economic Survey

**Figure 4.7**  
**Share of Remittance to GNP**



As per the table and figure, we can see that the share of remittance to Gross National Product (GNP) has been slightly increased year by year. In the year 2001, we can see that the share of remittance to GNP was 9.38 Mio. Year by year the contribution of remittance to GNP has been steadily increased and reached to 15.03Mio in 2008. Therefore, this study has showed that remittance has a huge impact on the Gross National Product of the country.

#### 4.2.5 Percentage Increase in Remittance

Nepal is a developing country and remittance is playing a vital role in increasing the GNP. Nowadays, many people are migrating from Nepal to abroad (usually young ones) and the number of remittance is increasing year by year. We are expecting around 105 billion in year 2007/2008. The percentage increasing year by year is shown below in table.

However, Nepal recorded a decline in remittance inflow in the last four months of year 2009. The Central Bank data revealed that the overall remittance inflow during the first six months in the fiscal year dropped by 11 per cent to remain at around NR 27 billion as compared to same period last year. The declines during the first, third, fourth and fifth months of the current fiscal year were 17.3 per cent, 17.6 per cent and 12.6 percent, respectively. The overall remittance inflow during the first five months was recorded at NR 23.39 billion against NR 26.76 billion during the same period last year. According to a government official, the declining inflow of remittance from India, which contributes to one fourth of the total remittance, is one of the reasons behind decline in overall remittance inflow.

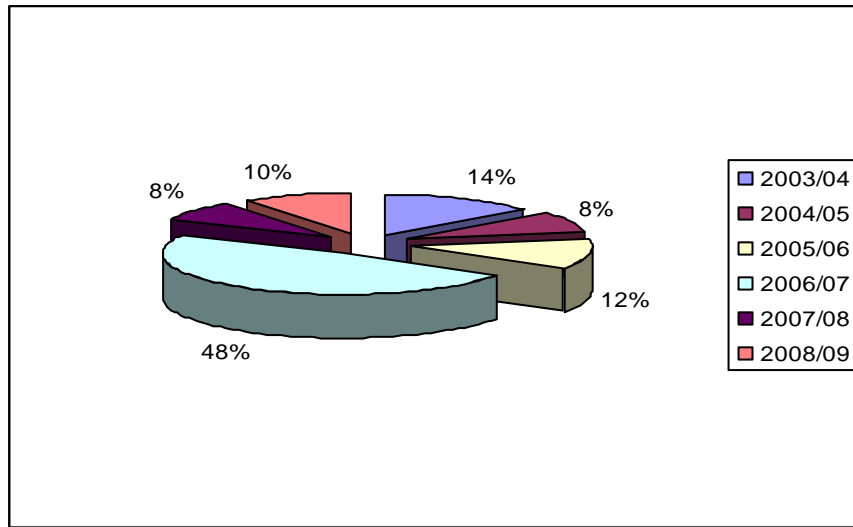
**Table 4.5**  
**Percentage Increase in Remittance**

Year	Worker's Remittance	(Rs. In Million)
		Increase in %
2002/03	47,536.3	-
2003/04	54,203.3	14.03
2004/05	58,587.6	8.09
2005/06	65,541.2	11.87
2006/07	97,536.2	48.82
2007/08	105,000.0	7.65
2008/09	142682.7	9.34

*Source: The updated information on remittance was shown in the official site*

[www.nrb.org.np](http://www.nrb.org.np) of Nepal Rastra Bank (the central bank of Nepal).

**Figure 4.8**  
**Percent Increase in Remittance**



The table and graph has showed that the remittance has been increasing year by year. In year 2002/2003 the remittance was around 48 Bio and it is expected to be 105 Bio in the year 2007/2008. The increment of remittance in percentage is 14.03 in the year 2003/2004 and it has reached to 48.82 percent increment in the remittance in year 2005/2006. This trend shows us that in the year 2008/09 there could be the huge increment in the remittance field.

#### **4.2.6 Remittance Growth**

Measuring with an economic yardstick, remittance is found to have different effects at various levels. From the micro-level i.e. household level, it helps increase income and consumption smoothening and shows increased saving leading to higher living standard of dependents. At macro level, remittance inflow helps increase the foreign exchange reserve of the country and at the same time becomes instrumental in developing local commodity markets and local employment opportunities, ultimately resulting in economic prosperity of the entire country. Remittance has indirect linkages to several economic factors. In a labour intensified market like ours, there normally exists a conflict between two schools of thoughts. International remittance is only possible when there are abundant migration opportunities. This is what Nepal is currently witnessing. Most Nepalese are happy to work abroad to assists their dependents. There is another segment of white-collar workers such as doctors,

engineers and other professional migrating abroad from Nepal in search of better opportunities. While the first school of thought suggests that the migration process results in hampering the development of a country in the long run due to brain drain: the other school of thought suggests that the process of migration will result in positive economic growth. The growth of remittance inflow has declined in the first two months of the current fiscal year. Nepal Rastra Bank's (NRB) latest data shows remittance increased by 19.7 percent during the period against an increment of 59.4 percent in the corresponding period last year.

The central bank's statistics show Nepal received remittance worth Rs. 34.99 billion in the review period. Remittance inflow during the same period last year was Rs. 29.23 billion. Nepal had received remittance worth Rs. 209.69 billion in the whole of the last fiscal year.

#### **4.2.7 Comparisons of Remittances and Foreign Direct Investment**

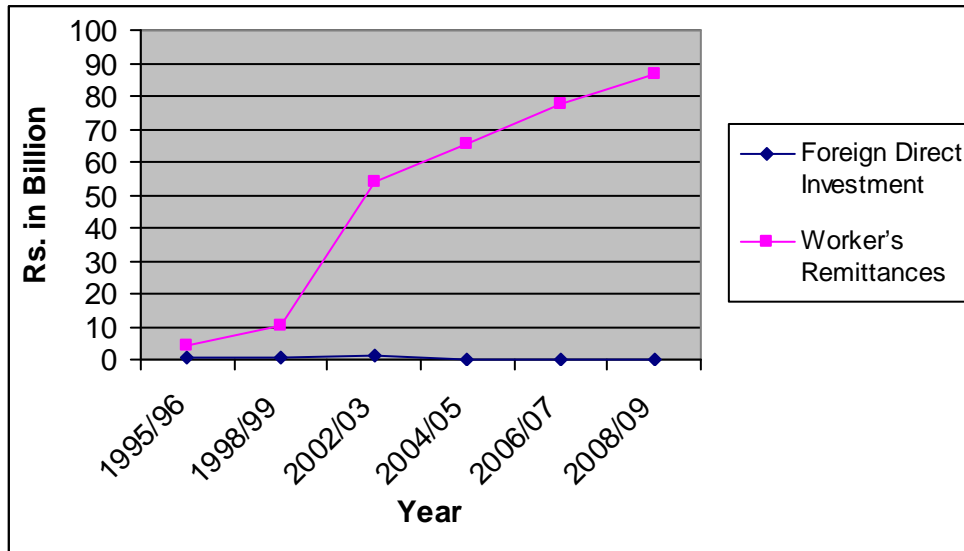
Over the past ten years, emigrant remittances have become prominent exceeding Rs.65 billion in FY. 2004/05. This analysis of few years (FY. 1995/96 to FY. 2006/07) has recorded that remittances are the major sources of financing compared to the foreign direct investment. We can find out that remittance has been increasing instantly after analyzing the ten years data.

**Table 4.6**  
**Comparisons of Remittances and Foreign Direct Investment**  
**(Rs in Billion)**

Year	Foreign Direct Investment	Worker's Remittances
1995/96	0.39	4.28
1998/99	0.58	10.31
2002/03	0.96	54.2
2004/05	0.14	65.42
2006/07	0.17	77.34
2008/09	0.19	86.67

*Source: Government of Nepal, Economic Survey (various issues).*

**Figure 4.9**  
**Remittances and Foreign Direct Investment**



The figure and the table have figured out the comparison of the Foreign Direct Investment and the Remittance of Nepal from fiscal year 1995/1996 to 2008/2009. In 1995/1996, the foreign direct investment was only 0.39 Bio compare to remittance of 4.28 Bio. The analysis has showed that the foreign direct investment has gone down to 0.19 Bio in 2008/2009; however, in the same year remittance has been increased to 86.67 Bio. Thus, we can see from this analysis that Remittance has played a vital role in the economy of Nepal rather than the foreign direct investment. From this the conclusion comes that government should give priority to remittance and the migrated people to figure out them in a systematic manner. Thus, a summary of the results obtained from the table leads the following major findings.

- ) Remittance income and Grants appear to be the most relevant variables to raise nominal GDP in Nepal.
- ) Pension and other items have also significant impact on increasing nominal GDP in Nepal.

#### **4.2.8 Remittance to Rural Households**

According to National Living Standards Survey (NLSS, 2008), 23 percent of all households surveyed received remittances. In the rural areas the proportion of households receiving

remittances was 24 percent. Similarly, 38 percent of all remittances came from India, 33 percent from other rural areas within Nepal and 26 percent from urban areas within Nepal. Remittances from the countries other than India accounted for nearly 3 percent of all remittances. In the rural areas, 40 percent came from India, 3 percent from "other countries" and around 58 percent elsewhere in Nepal.

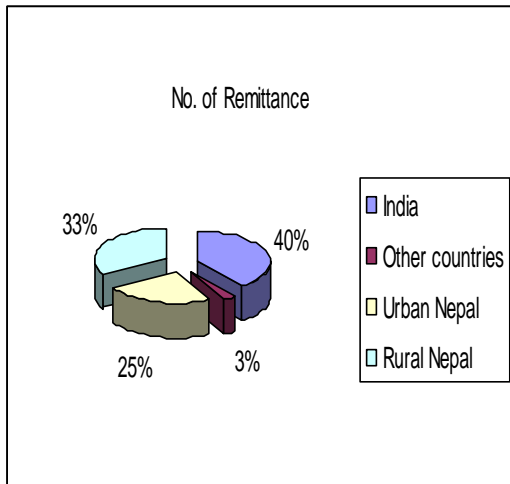
**Table 4.7**  
**Remittance to Rural Households**

Sources	No. of Remittance	Value of Remittance
India	40%	33%
Other countries	3%	22%
Urban Nepal	25%	32%
Rural Nepal	33%	12%

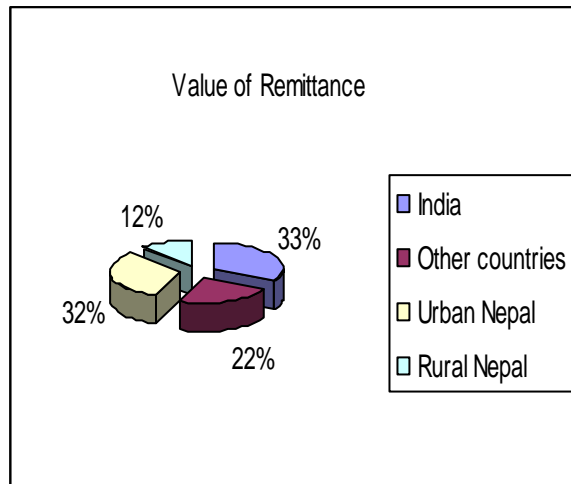
Source: NLSS, 2008

**Remittance to Rural Households**

**Figure 4.10**



**Figure 4.11**



Total 23 percent of all households receive remittance. Out of which 40% of remittance came from India and 3% came from other countries. 25% of the remittance has been come from the Urban areas and the 33% of remittance came from rural areas in Nepal. This data has informed us that most of the people who lives in the rural areas migrates to the India because of no border with some places of Nepal and only some of the people migrates to the other

countries. A big proportion of remittance to rural households comes from urban as well as from rural areas of Nepal itself.

The flow of remittances into rural areas in Asia is among the highest. This is partly because half of Asian countries are 65 per cent rural. The impact of remittances among Asian developing countries is greater than in other parts of the world: in Asian countries that are 65 per cent or more rural, the ratio of remittances per capita to per capita GDP is 23 per cent and the highest in the world.

#### **4.2.9 Major Outbound Destination and Structure of Foreign Employment of Nepalese Labour**

Since the beginning of 19<sup>th</sup> century it has been seen that Nepalese labourers prefer India as a major destination for work. This may have been due to the open border in between the two countries. The Census of India on Nepalese nationals indicate that their number has increased from 82,071 in 1951 to 133524 persons in 1961 and data on population of Nepal indicates an increase from 498836 persons in 1961 to 526526 persons in 1971 [Spotlight (Weekly), *Remittance Economy*, Vol. 19., No: 26, January 14-20, 2000]. The Census on 1981 showed that 66.5 percent of the absentee Nepalese in India were engaged in some kinds of services. Furthermore, 1991 Census of Nepal revealed that there were 650337 absentee populations of which 81.2 percent were in India and the rest were in other countries. This constituted around 3 percent of the active labour force (estimated in 1996 at around 11.7 million). It is unofficially estimated that almost 33 percent of the un-employed labour force are working abroad [Nepal, K, July 26 –August 1, 2002(p.p. 1-2)].

The Nepalese going to Gulf countries and India for job belong to poor families comparing to those going to South East Asian countries. Poorest among the poor are left behind in the Nepalese villages. These people cannot possibly go even to India because they lack the necessary element to do so, including network, resources and risk bearing capacity. Thus, the poorest of the poor are still deprived of the direct benefits of remittance. . According to NRB's study, of the total Nepalese working abroad some 24 percent were in India followed by 16.3 percent in Saudi Arabia, Qatar (6.88 percent), South Korea (6.88 percent), South

Korea (6.88 percent), and U.A.E. (5.6 percent). The study also revealed that some 1 to 5 percent Nepalese workers were found to be working in the countries such as Japan, Malaysia, Germany and USA.

### **List of Countries Opened for Foreign Employment**

Government of Nepal has formally opened the following 107 countries in institutional basis for sending laborers in foreign employment. But now-a-days, the government has also restricted to go Nepali workers in some foreign countries including Iraq\* due to massacre of 12 Nepali laborers in Iraq.

#### **S.N. Countries**

- |                 |                |                 |                    |
|-----------------|----------------|-----------------|--------------------|
| 1. France       | 2. China       | 3. Russia       | 4. Japan           |
| 5. Sri Lanka    | 25. Argentina  | 45. Kenya       | 65. Czech Republic |
| 6. Egypt        | 26. Turkey     | 46. Mexico      | 66. Republic       |
| 7. Germany      | 27. Lebanon    | 47. Luxembourg  | Slovakia           |
| 8. Austria      | 28. Belgium    | 48. Nigeria     | 67. Guyana         |
| 9. Italy        | 29. Iran       | 49. Libya       | 68. South-west     |
| 10. Switzerland | 30. Canada     | 50. Peru        | Africa             |
| 11. Poland      | 31. Denmark    | 51. Brazil      | 69. Azerbaijan     |
| 12. Greece      | 32. Bulgaria   | 52. Portugal    | 70. Seychelles     |
| 13. Philippines | 33. Romania    | 53. Zambia      | 71. Slovenia       |
| 14. Australia   | 34. Algeria    | 54. Mozambique  | 72. Macedonia      |
| 15. Myanmar     | 35. Spain      | 55. Nicaragua   | 73. Croatia        |
| 16. Pakistan    | 36. Bangladesh | 56. Venezuela   | 74. Ireland        |
| 17. Netherlands | 37. Albania    | 57. Colombia    | 75. Bosnia-        |
| 18. Laos        | 38. Norway     | 58. Bolivia     | Herzegovina        |
| 19. Sweden      | 39. Finland    | 59. Estonia     | 76. United Arab    |
| 20. Thailand    | 40. Tanzania   | 60. Ukraine     | Emirates           |
| 21. Indonesia   | 41. Morocco    | 61. Armenia     | 77. Qatar          |
| 22. Mongolia    | 42. Cuba       | 62. Kazakhstan  | 78. Saudi Arabia   |
| 23. Hungary     | 43. Cambodia   | 63. Byelorussia | 79. Kuwait         |
| 24. Chile       | 44. Vietnam    | 64. Moldavia    | 80. Iraq*          |



81. Bahrain	87. South Korea	93. Panama	99. Macao
82. Oman	88. Costa Rica	94. Tunisia	100. United States
83. Hong Kong	89. Mauritius	95. Kosovo	of America
84. Malaysia	90. Iceland	96. Fiji	101. United
85. Singapore	91. Holy see	97. Latvia	Kingdom
86. Brunei	92. Malta	98. South Africa	
102. Israel	104. Cyprus	106. Sechelles	
103. Afghanistan	105. Jordan	107. Spain	

Sources: Labor Market Information Bulletin, Year 4(11), Annual Publication, 2064, p. 28

Website: [www.moltm.gov.np](http://www.moltm.gov.np)

Nepal Government, Ministry of Finance (MOF). 2009. Economic Survey, FY.2008/09. Kathmandu: Ministry of Finance.

Nepal Rastra Bank, 2009. Main Economic Indicators (May-July), Monthly Report, NRB, Research Department, Kathmandu.

### **Volume and Trend of International Labour Migrants from Nepal**

The volume and trend of international labour migration by fiscal year and destination is presented here based on the available government data from 1993/94 to 2009 April. The trend analysis of labour migration is to observe the concentration of migrant workers by both the fiscal years and as per the country of destination.

The table gives an overview of the volume and trend of Nepalese migrants working abroad. Analyzing the data since 1994/95 till 2009 January/February, it is found that a total of 696,637 people are documented foreign labour migrants from Nepal where as the estimated data is double than the government's one. The above data does not include the Nepali labour migrants to India.

The data clearly specifies the increasing trend of foreign labour migration in each year. The volume of labour migrant till 1997/98 is considerably very low i.e. below 4000 in each fiscal year. But after 1998/99 the volume has increased in a rapid way, which is double or more

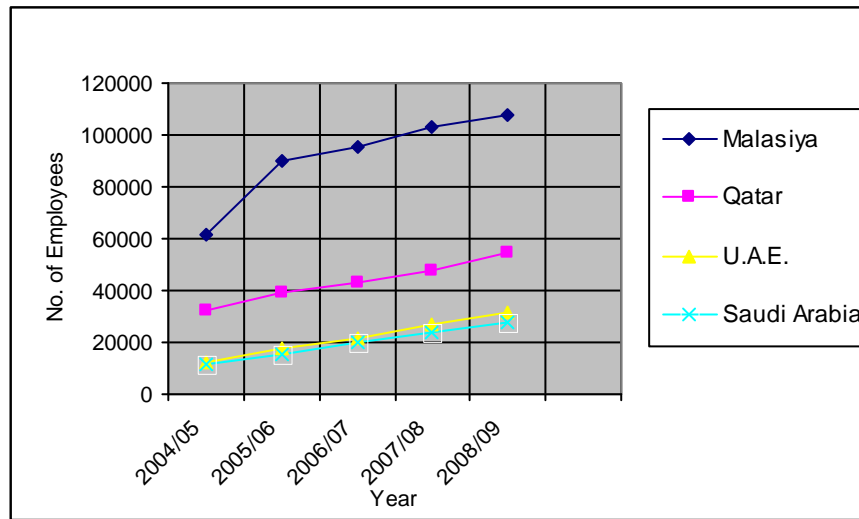
than the previous years. The rapid growth of international labour migrants can be observed in each year and the volume has also increased at the similar pattern. The number of people going abroad as labour migrants is more than 100 thousand after 2002/03, which shows the deep attraction of people toward the foreign labour migration. The data of 2009 January/February, which is collected only for six months, indicates more than 200 thousands people from Nepal are expected to have migrated as labour migrants. During these six months only, 135,223 people have migrated from Nepal.

Several things are indicated by observing the above data. The number of labour migrants has begun rapidly only after 1998/99. This signifies that people started to migrate from their usual place of residence after the origination of armed conflict in 1996. And the volume has been larger and larger when the armed conflict made impact in all part of the country, one year after another. The data can also be analyzed that, since the beginning of armed conflict, people lost their usual way of earning in their respective villages; so their option to feed their dependents was very limited and the security of their life was also challenged. At this situation, the people are attracted to go abroad for work, earn some money and send back to their families.

The impact of information and communication all around the country is another factor to justify the increased volume of labour migrants in the past few years. Media are very powerful and scattered around the country. Even the general people have access to media and they are well known about opportunities in foreign employment through the public information of manpower agencies. People's interest to be engaged in new forms of job in a new environment is also another factor for the increasing volume of labour migration from Nepal.

Observing the volume and trends of the international labour migration, the table can be subdivided into three phases viz. the early phase, the middle phase and the latest phase. It is worth noting here to analyze the volume of international labour migration as the horizon of international labour migrants has widened with respect to the time factor and the contextual situation of politics as well as the divergent overall situation of the state.

**Fig. 4.12**  
**Major Outbound Destination**



From the figure it can be seen that though there were hardly any Nepalese going to Malaysia it currently has surpassed all other countries as far as number of Nepalese going there is concerned followed by Qatar, Saudi Arabia and U.A.E. Malaysia became a favorite destination to Nepalese since 2004/05 and has picked up momentum since then. People have not shown much interest in going to Saudi Arabia and U.A.E. as depicted by the graphs. Peoples' craze toward Doha and Malaysia has increased tremendously and is still on an increasing trend for few more years.

**Structure of Foreign Employment of Nepalese Labour as per Field Survey**

Nepal has witnessed international migration since 1815 A.D. when Nepalese were recruited as soldiers in India. Due to the open border between India and Nepal it has been very difficult to estimate the figure of Nepalese currently working who might have migrated there during such a long period of time. Ignoring the number of Nepalese working in India, it has now been observed that the craze of people going abroad i.e. in the Middle East for foreign employment has increased considerably. It may have been due to the fact of getting higher salaries in comparison to India.

During the field survey conducted at various places it was found that amongst the respondents 34 percent had gone to Malaysia, followed by Doha, Qatar (32 percent), Saudi Arabia (24 percent) United Arab Emirates (10 percent), South Korea (3 percent) and the rest to other destinations in search of foreign employment. This figure however excludes the data of people migrating to India in search of employment.

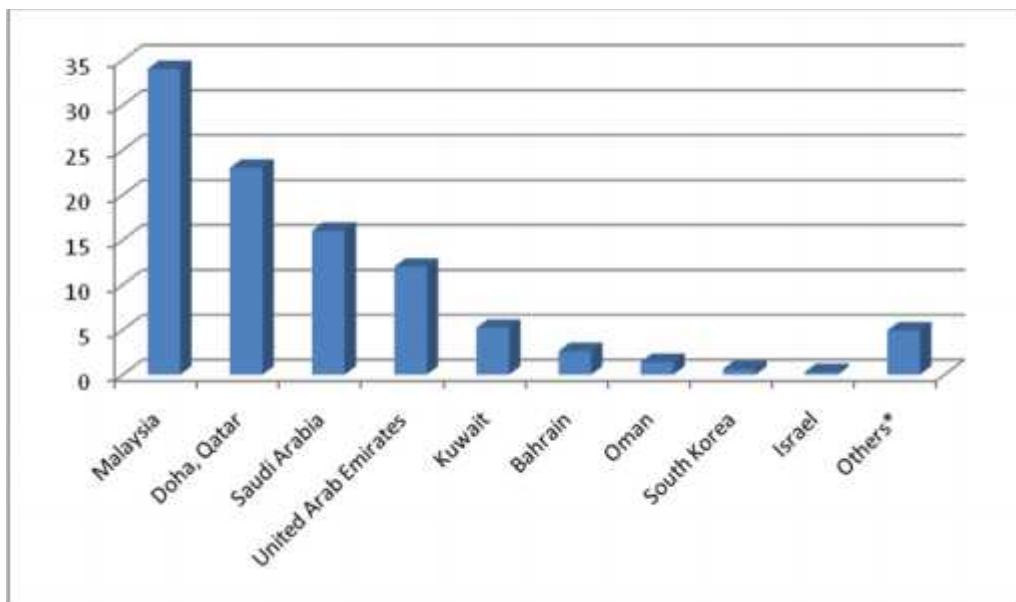
**Table 4.8**  
**Major Destination and Proportion of Nepalese workforce**

Name of the country	Percentage	Name of the country	Percentage
Malaysia	34	Bahrain	2.6
Doha, Qatar	23	Oman	1.4
Saudi Arabia	16	South Korea	0.6
United Arab Emirates	12	Israel	0.3
Kuwait	5.2	Others*	4.9

Source: Field Survey at Various Places, 2009

\* Others include Afganistan, Israel, Hong Kong, Maldives, Iraq etc.

**Figure 4.13**  
**Nepalese Structure as per Field Survey Foreign Employment**



#### 4.2.10 Types of Work for Which the Nepalese People are Recruited

There were various instances where the people going abroad for foreign employment were not actually involved in the work they were told during their departure from Nepal by the Manpower Agencies. During the survey it was found that few people were even not accepted by the Company that they were said of having been demanded from.

According to the field survey that was conducted on the above mentioned 20 locations, the types of work that the Nepalese people are involved into are primarily divided into three main categories. They are as follows:

1. Labour Class Jobs
2. Clerical Jobs
3. Highly Qualified Jobs

Field survey showed that 75 percent of the people were involved in a labour class jobs followed by the next 21.6 percent involved in the clerical jobs and the rest 3.4 percent were found to have been involved in highly qualified jobs such as engineers, internal auditors, managers, system analysts etc.

People involved in the labour class jobs mostly comprised of the illiterate people under either semi-skilled or unskilled categories. It is their illiteracy which has forced them to accept the labour class jobs. People involved in the clerical jobs mostly had an educational qualification of intermediate to bachelor level. Their job descriptions involved looking after certain departments, recordkeeping, accounting etc. Highly qualified jobs comprised of people such as engineers, doctors, managers, system analysts etc. They are the ones who are highly paid unlike the two other categories of workers.

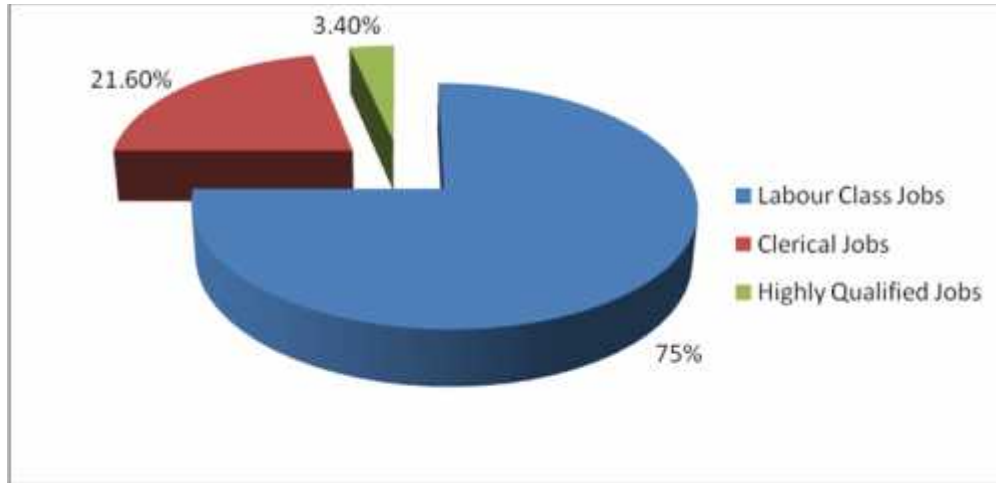
**Table 4.9**  
**Types of Work Nepalese People are involved into**

Particulars	Percentage
Labour Class Jobs	75
Clerical Jobs	21.6
Highly Qualified Jobs	3.4
Total	100

*Source: Field Survey at Various Places, 2009*

**Figure 4.14**

**Types of Work Nepalese People are Involved Into**



**4.2.11 Income Status of Nepalese Workers Abroad**

**Monthly Salary**

Due to the different geographical location of the country of origin and the destination country, it was not possible to directly make a survey amongst the Nepalese people who had gone abroad for foreign employment. However, during the survey it was a coincidence to have confronted few Nepalese who were currently working abroad but had come here in Nepal on their vacation. Direct interaction with such people was very much informative as far as their state of employment and earnings were concerned. This could not have been possible by interviewing the representatives of such people.

During the survey, it was found that almost half of the population i.e. 49.6 percent of respondents had their remitter's monthly income of NRs.15,000 followed by 20.8 percent with the monthly income range of NRs.15,001 – 30,000. Similarly 13.6 percent of people had their monthly income ranging from NRs.30,001 – 45,000, followed by 8.0 percent of them having the income range of NRs.45,001 – 60,000 and also the rest 8.0 percent having the income range of above NRs.60,000 . Considering the salary structure and on the basis of the field survey conducted at various places it was found that the average salary structure of Nepalese Labourers working abroad was NRs.23,100.

### **First money transfer made to Nepal from the Country of Destination**

When asked about the first money transfer received by the beneficiary since the remitter left their country of their origin, it was found that 51.2 percent took the time of 2 – 6 months after their joining of work abroad, followed by 23.2 percent who had sent during 6 – 12 months. Similarly 13.6 percent of people were found to have made their first remittances after a year of their departure whereas 12 percent did it after a month of their joining date (Table 4.10).

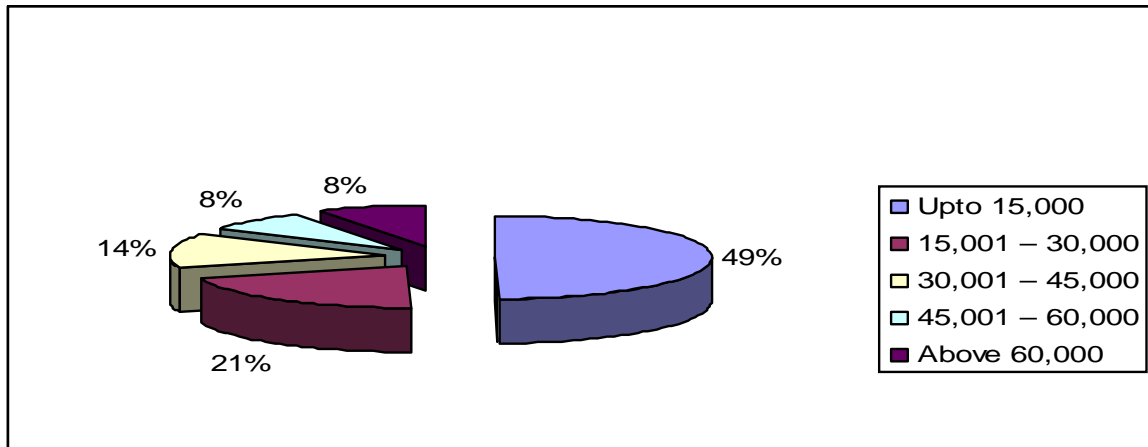
During the field survey it was found that remittance made to Nepal by the Nepalese workers gone abroad especially on a contractual basis largely depends upon the receipt of their monthly income followed by the necessity of funds back home here in Nepal. It was found that some employers paid their workers on a quarterly basis as had been preferred by their employees. They would hence remit on a quarterly basis which would be more cost effective as far as the service charge of remitting of funds is concerned. Settling of high interest bearing loans are another important factor which would compel the Nepalese workers gone abroad to send their initial incomes at the earliest possible. On the other hand it was found that families of few people who were financially well off here in Nepal received their first remittance after a year of his/her departure. However it was found that almost all the Nepalese people going abroad for foreign employment had the tendency to remit fund to support their family members back home in Nepal.

**Table 4.10**  
**Income Status of Nepalese Workers Abroad**

Particulars		Percentage
Monthly Income of Nepalese working abroad	Upto 15,000	49.6
	15,001 – 30,000	20.8
	30,001 – 45,000	13.6
	45,001 – 60,000	8.0
	Above 60,000	8.0
First money transfer made to Nepal from the country of destination by the remitter	One month	12
	2 – 6 months	51.2
	6 – 12 months	23.2
	More than a year	13.6

*Source: Field Survey at Various Places, 2009*

**Figure 4.15**  
**Monthly Income of Nepalese Workers Abroad**



#### 4.2.12 Inward and Outward Remittance

As per the report submitted by Development Prospects Group in 2009, the ratio of increment in the inward remittance is the much higher than the ratio of increment in the outward remittance from the year 2002 to 2009. In year 2002, the inward remittance was only USD 111 Bio. However, in year 2009, it has been increased to USD 1747Bio. Looking to Outward Remittance, in 2002, it was USD 17 Bio which has been increased to USD 66Bio in year 2009.

**Table 4.11**  
**Inward and Outward Remittance**

Year	Inward Remittance	Outward Remittance
2002	111	17
2003	147	24
2004	678	34
2005	771	26
2006	823	64
2007	1211	65
2008	1456	65
2009	1747	66

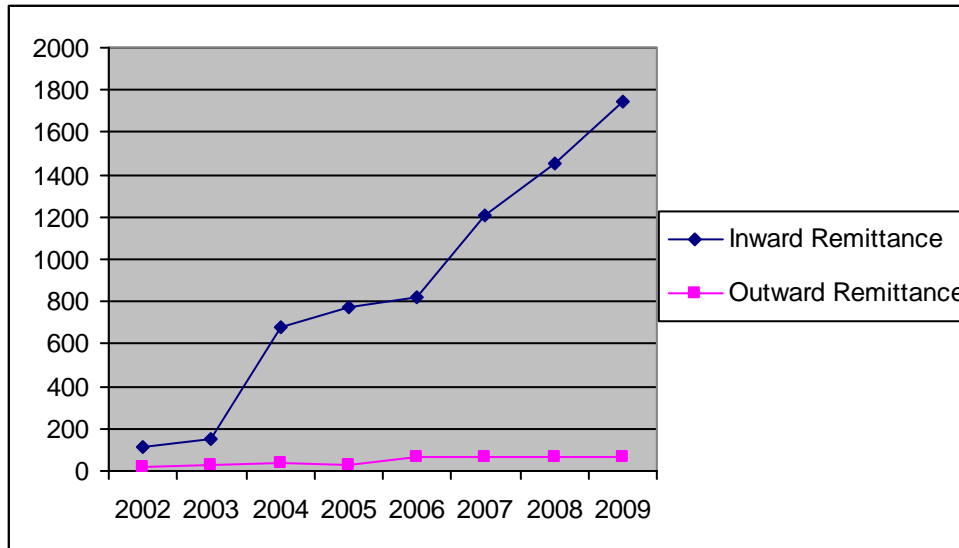
*Sources: Development Prospects Group*

This table reports officially recorded remittances.



The true size of remittances, including unrecorded flows through formal and informal channels, is believed to be larger.

**Figure 4.16**  
**Inward and Outward Remittance**



As we can see in the graph that the level of inward remittance has been increased in a huge proportion than the outward remittance from the year 2002 to year 2009. In year 2009, the inward remittance has move to USD 1,747 Million. Moreover, the expectation is that in next year, the remittance would be increased much more. So, this graph illustrates that we are highly receiving the remittance from the different countries which will obviously help in the economy of the country.

#### **4.2.13 Worldwide remittance flows to Developing Countries**

150 million migrants worldwide sent more than US\$300 billion to their families in developing countries during 2006. It has been expected that during 2009 the number of migrated people will increase to more than 200 million which will lead to the increment in the remittance. The amount of remittance will be increased to US\$ 400 billion in developing countries during 2007. Remittances, the portion of migrant workers' earnings sent back home to their families, have been a critical means of financial support for generations. But, for the most part, these flows have historically been "hidden in plain view", often uncounted and

even ignored. All that is now changing – as the scale of migration increases, the corresponding growth in remittances is gaining widespread attention.

Today, the impact of remittances is recognized in all developing regions of the world, constituting an important flow of foreign currency to most countries and directly reaching millions of households, totalling approximately 10 per cent of the world's population. The importance of remittances to poverty alleviation is obvious, but the potential multiplier effect on economic growth and investment is also significant. The driving force behind this phenomenon is an estimated 150 million migrants worldwide who sent more than US\$300 billion to their families in developing countries during 2009, typically US\$100, US\$200 or US\$300 at a time, through more than 1.5 billion separate financial transactions. These funds are used primarily to meet immediate family needs (consumption) but a significant portion is also available for savings, credit mobilization and other forms of investment. In other words, the world's largest poverty alleviation programme could also become an effective grass roots economic development programme, particularly in the rural areas that present some of the greatest challenges to financial inclusion.

#### **4.2.14 Macro Economic Impact of Inward Remittance**

If we visualize the effect of remittance from macro perspective in the case of Nepal, what we find is that its contribution to total export, total import, foreign exchange reserves and GDP have increased significantly over the years. As the flow of remittances heavily influxed from the beginning of FY 1990/91, its contribution to these variables rose tremendously over the years. For the purpose of this study, we have only taken into consideration the figures from 2002/2003 to 2008/09 i.e. a period of six years.

In 2000/01 the contribution of remittance to the total export and import were 73.9 percent and 33.93 percent respectively which went up to 112.33 percent and 49.49 percent respectively in 2008/09. Likewise, the contribution of remittances to Nepal's GDP rose promisingly over the years. In 1990/91 the share of remittance to the total GDP was just 1.7 percent which rose up to 10.05 in 1999/00 and subsequently to 12.98 percent in 2004/05. The ratios of remittance have been found to be significant in proportion to the country's foreign

exchange reserves too. For example, in 1990/91 its share was just 16.1 percent which rose to 56.08 percent in 1999/00 and since then has been experiencing ups and downs as to its contribution in country's foreign exchange reserves and was 41.88 percent in 2008/09. These facts and figures reveal that remittance has become life blood of Nepal's economy.

**Table 4.12**

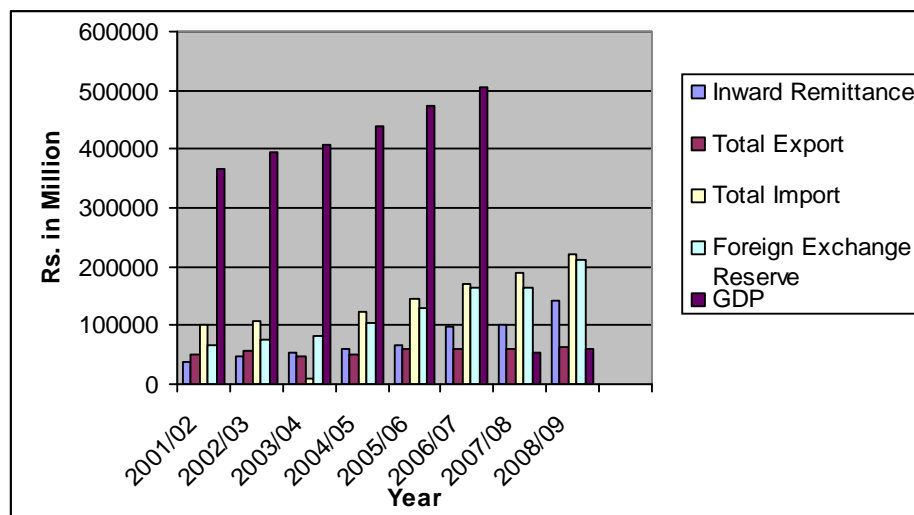
**Comparison of Inward Remittance, Export & Import, Foreign Direct Reserve & GDP**

Year	Inward Remittance	Total Export	Total Import	Foreign Exchange Reserve	GDP
2001/02	36818.1	49822.3	101579.5	65650.7	366251
2002/03	47216.3	55654.8	105873.4	75125.6	394052
2003/04	54203.5	46945.1	10967.2	80700.4	406138
2004/05	58587.6	49931.5	124352.9	102976.1	437646
2005/06	65541.2	59956.1	145718.2	129896.4	474129
2006/07	97688.5	61482.4	171540.8	165033.2	504101
2007/08	100144.8	61488.4	190437.1	165126.8	54397
2008/09	142682.7	63939.2	221650.2	212623.5	59438

Sources: Government of Nepal, Economic Survey (Various Issues)

**Figure 4.17**

**Comparison of Inward Remittance, Export & Import, Foreign Direct Reserve & GDP**



## **Contribution of Inward Remittance to Total Export, Total Import, Foreign Exchange Reserve and Gross Domestic Product (GDP)**

It can be seen that remittances play a central role in the economies of many labour-sending countries including Nepal. The flow of remittance in the economy does not determine the level of economic growth but the manner the country uses it is of much importance. Meaningful utilization of remittance money paves the way for boosting socio-economic activities towards deprived people and for the development of 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 into different layers of the economy to meet twin goals of poverty alleviation and sustainable development. Presently planners, policy makers are also recognizing the crucial significance of remittances to national economy. Through meaningful utilization of remittance, economic activities could boost up and thereby lift the standard of livings of the people in a satisfiable manner. This would in turn raise the level of output, employment, export and foreign earnings. The GDP growth of the nation could be improved in the long run with the better use of remittances.

The importance and impact of remittance in the economy could be assessed through various ways. Some empirical studies suggest that for a number of developing countries, the level of remittances is significant in proportion to the country's merchandise exports. The increase in remittance, if substantial, can contribute significantly towards stabilizing the exchange rate, increasing availability of foreign exchange for imports, lessen the dependence on foreign borrowing and aid and in some cases relieve the pressure to accept the harsh conditionality imposed on borrowings by multilateral agencies.

Hence what we can find from the above data is that remittance money has also 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 significantly to maintain Nepal's favorable Balance of Payment position.

## **4.2.15 Volume of remitted fund and problem faced during its receipt**

### **Volume of Remitted Fund**

Nepalese people going abroad for foreign employment tend to save their earnings after meeting their expenses and send it back home to sustain the living of their belongings. The higher the income of any individual the larger would be their remittances. As discussed earlier the frequency of fund transfer would depend upon the need of it, followed by the service charge hence it has been witnessed that Nepalese people tend to send a lump sum amount on a periodic basis rather than sending it on a monthly basis.

The income status of an individual determines his capability of remitting funds back home as far as the volume of remittance is concerned. When the respondents were inquired about the volume of remittance they receive, 58.4 percent said that they were normally receiving in the range of NRs.10,000 – 25,000, followed by another 25.6 percent of people who claimed of having received in the range of NRs.25,001 – 50,000. Similarly 10.4 percent of people were found to have received in the range of NRs.50,001-100,000 and the rest 5.6 percent were receiving more than NRs.100,000. Calculating the average of the fund remitted by the remitter to their belongings here in the country of origin it was found that on an average they remit Rs.31,700 per transfer.

### **Problem faced during the receipt of Fund Transfer**

With the closure of various branches of banks at various locations especially in the rural areas, the people have been deprived of the basic banking facilities that they were previously availing from such branches of the banks. With the ever increasing number of people going abroad for foreign employment, inward remittances are for sure to soar inside the country in the same increasing trend. But with the unavailability of banking operations due to the threat of the ongoing Maoist activities, it is the people who are severely victimized. Receiving the inward remittance sent from abroad by the remitter in such situation is a far cry.

It was only after the need for overcoming the problems faced by various people at various locations of the country to receive the remitted fund safely was felt, which urged various exchange houses and banks to take initiative steps in this regard. After having taken the

approval from Nepal Rastra Bank, the central bank of Nepal, private agents such as **International Money Transfer** and **Prabhu Money Transfer** emerged out as an agent whose main motto was to facilitate the inward remittance business. Having tied up with various exchange houses abroad where the presence of Nepalese were felt substantially and extending its operation by tying up with various individuals and firms here in Nepal so as to increase the number of payout locations the business of inward remittance was experiencing a dramatic change. After the establishment of such paying agents at various locations of the country, people at the rural areas have greatly benefited from it. Such paying agents have been able to cater the need of the people as far as delivery of inward remittances is concerned.

When asked about any instances that it had taken a very long time to receive the remitted funds amongst the respondents, 48 percent witnessed of such instances whereas the rest 52 percent said that they have so far not experienced any problems receiving their payment though they had to wait for the whole day to receive the money during some occasions. Amongst the 48 percent, when they were asked of the reason for having faced problems during the receipt of the transferred funds 43.3 percent said that they had gone to a wrong place to collect the fund whereas 30 percent had approached the paying agent with the wrong security number. Similarly 18.3 percent of people had to suffer due to the unavailability of banking services followed by the rest 8.4 percent who had received the message late from the remitter.

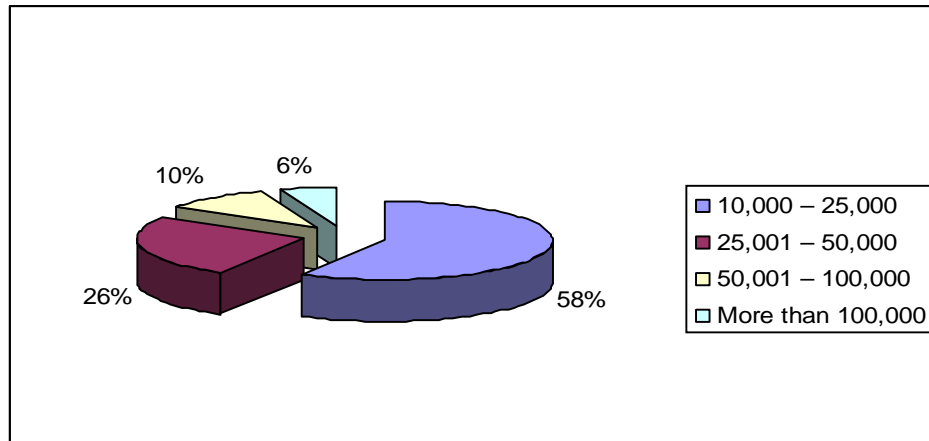
**Table 4.13**  
**Volume of Remitted Fund and Problem Faced During its Receipt**

Particulars		Percentage
Volume of remitted fund	10,000 – 25,000	58.4
	25,001 – 50,000	25.6
	50,001 – 100,000	10.4
	More than 100,000	5.6
Reasons for problems faced during the receipt of the remitted fund	Wrong agents approached	43.3
	Wrong security number	30
	Unavailability of banking service	18.3
	Communication gap	8.4

*Source: Field Survey at Various Places, 2009*

**Figure 4.18**

**Volume of Remitted Funds Per Transfer**



#### **4.2.16 Utilization of the Remitted Funds and Saving Status of Recipients**

During the survey it was found that most of the people opting to go abroad for foreign employment had to rely on various available options for arranging funds required for going abroad. Such available options comprises of high interest bearing loans from the local vendor, interest free loans, sale of property etc. It is due to this fact that the initial funds remitted from abroad is normally used to settle such loans.

When the respondents were asked about the end use of the funds remitted from abroad 40 percent said that they would use the fund to settle the loans outstanding if any or for their basic needs. Similarly 20 percent had accumulated the funds and used to buy land/building as per their requirement followed by another 30.4 percent of people who had used it in educating their children whereas the rest 9.6 percent had diverted such funds to some business activities like farming, small scale business etc (Table 4.14).

Since very few people send money on a monthly basis, it is the recipients who would have to save the money so as to meet their monthly expenses. Some have even been able to save substantial amount after having met their basic requirements. Depending upon the monthly income of the remitter and the financial status of the recipients, the monthly saving of any remittance receiving families can be determined.

When the respondents were asked about their savings out of the funds received, 20 percent said that they have not been able to save any funds out of the remitted funds whereas as the rest 80 percent comprised of people who were able to save some after meeting their basic requirements. When inquired about the volume of the funds saved, 53 percent witnessed of having saved NRs.5,000 – 10,000 followed by 23 percent of people who had been able to save NRs.1,000 – 5,000. Similarly 15 percent were able to save NRs.10,000 – 25,000 whereas the rest 9 percent could save more than NRs.25,000 on a monthly basis (Table – 4.14). This would again depend upon the volume of remittances sent by the remitter and the frequency of remittances.

Saving gives a greater financial strength to the recipients as far as meeting any financial obligations are concerned. It also provides a financial cushion to many families having a financial crisis. On the other hand this opens up investment opportunities to the recipients. Savings can easily be converted into some productive investment wherein one can multiply their savings.

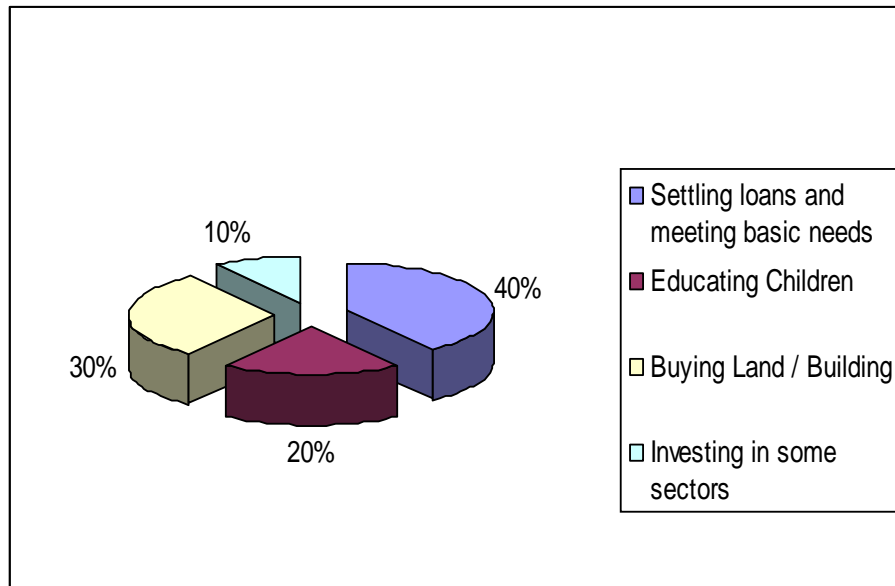
**Table 4.14**  
**Utilization of the Remitted Funds and Saving Status of the Recipients**

Particulars		Percentage
Utilization of the remitted funds	Settling loans and meeting basic needs	40
	Educating Children	20
	Buying Land / Building	30.4
	Investing in some sectors	9.6
Monthly savings of the recipients	1,000 – 5,000	23
	5,000 – 10,000	53
	10,000 – 25,000	15
	More than 25,000	9

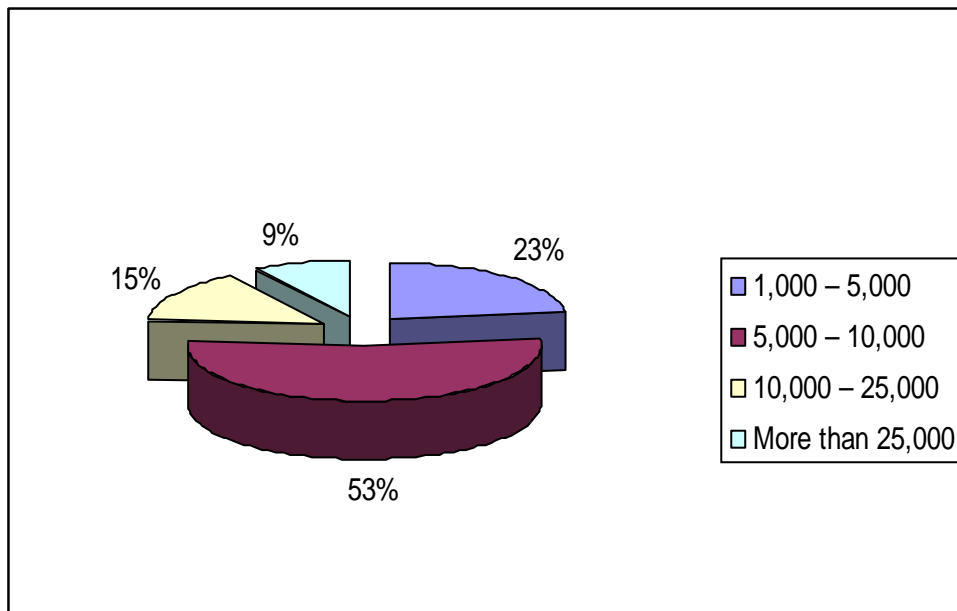
*Source: Field Survey at Various Places, 2009*



**Figure 4.19**  
**Utilization of Remitted Funds and Saving Status of the Recipients**



**Figure 4.20**  
**Monthly Savings of the Recipients**



#### 4.2.16 Remittance Received form India and Other Countries

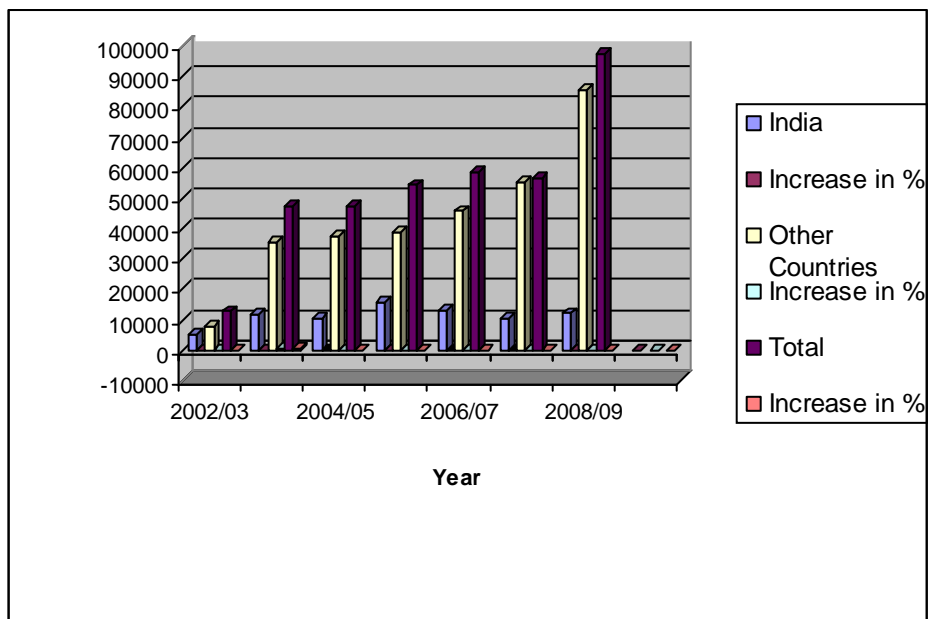
The below mentioned table shows the data of remittance received from India and Other countries from the fiscal year 2000/01 to 2006/07.

**Table 4.15**  
**Remittance Received form India and Other Countries**

Year	India	Increase in %	Other Countries	Increase in %	Total	Increase in %
2002/03	5136.20	14.91	7526.10	28.77	12662.30	22.76
2003/04	11795.70	129.66	35420.40	370.63	47216.10	272.89
2004/05	10326.20	(12.46)	37210.10	5.05	47536.30	0.68
2005/06	15458.00	49.70	38745.30	4.13	54203.30	14.03
2006/07	12964.10	(16.13)	45623.50	17.75	58587.60	8.09
2007/08	10181.30	(21.47)	55359.90	21.34	56541.20	11.87
2008/09	12099.90	18.84	85436.30	54.33	97536.20	48.82
Av. Increase Rate		23.67		48.23		37.78

*Sources: The Journal of Nepal Business Studies*

**Figure 4.21**  
**Remittance Received form India and Other Countries**



**Table 4.16**

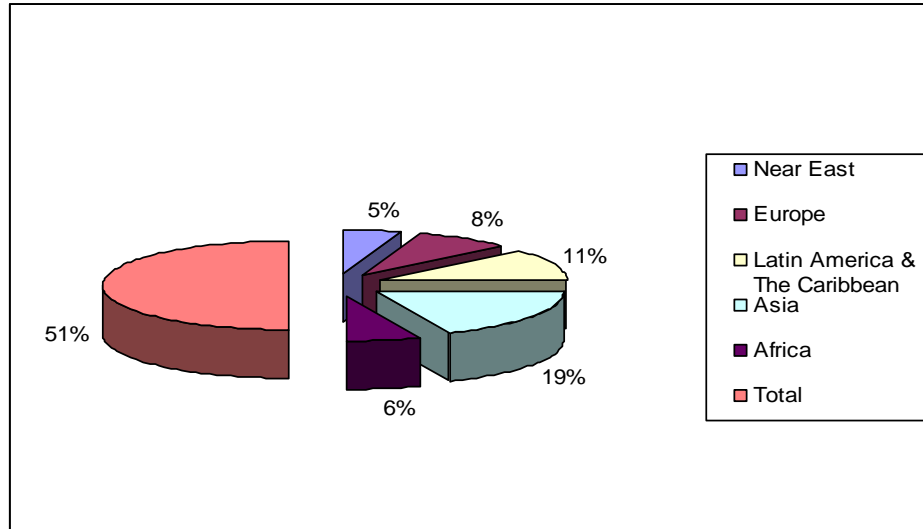
**Remittance Received by Developing Countries of the World**

Regions	Remittance Received in USD Mio	% of Contribution in Total
Near East	29678	9.85
Europe	50805	16.86
Latin America & The Caribbean	68062	22.58
Asia	113946	37.81
Africa	38895	12.91
<b>Total</b>	<b>301386</b>	<b>100.00</b>

*Sources: The Journal of Nepal Business Studies*

**Figure 4.22**

**Remittance Received by Developing Countries of the World**



As we can see in the chart that the developing countries of Asia has mostly contributed a huge number of remittance received as per the worldwide region in the year 2006. It has contributed around USD 115 K Mio out of USD 301 K Mio i.e. it has contributed around 38 % of the total revenue received by the developing countries of the world. After Asia, Latin America and the Caribbean have contributed a lot. It has contributed USD 68 K Mio and the contribution percentage of this region out of total is 23 %. Europe has contributed USD 51 K Mio in the year 2009. The contribution percentage of the Europe in terms of total is around 17 %. Africa and the Near East have also contributed a good number of remittance amounting to USD 39 k Mio and USD 30 K Mio respectively. The contribution percentage of the Africa and Near East are 13 % and 10 % respectively.

Thus, as we can see that the developing countries are receiving the remittance a lot. The number of remittance received by the developing countries has been increasing year by year. As per the trend and expectation as per the current analysis, this number would be highly increased in the next year. Though there are huge numbers of remittance received through informal channels the remittance received by formal channels would also be increased. Due to the education in terms of remittance many people who use the informal channels will be highly attracted to the formal channels because of low interest rate and the safety of the fund.

#### **4.2.17 Nepal's Dependence on Exporting Labor**

Nepal is one of the world's poorest countries, with a population of around 27 million and a per capita GDP of under US\$1. It is also landlocked, between India and China, and mountainous, situated between the Himalayas and the plain of the Ganges River.

Agriculture remains a major source of livelihood, and tourism is also important. But one of Nepal's major exports is labor, and most rural households now depend on at least one member's earnings from employment away from home and often from abroad.

In the last five years, the importance of foreign labor migration to the Nepalese economy has increased as numbers of Nepalese leaving to find work abroad have soared. The total volume and value of remittances from Nepali workers abroad has increased significantly; remittances are possibly as high as 100 billion NRs (over US\$1.5billion).

Migration continues partly because of growing insecurity in Nepal's rural areas as the Maoist insurgency has come to control large parts of the countryside. In addition, Nepalese must confront a lack of economic opportunities at home and increasing opportunities abroad.

Indeed, there has been much talk in Nepal recently of "internal displacement" and "forced migration" as a result of the conflict. Certainly, some of the better-off Nepalese in rural areas have been displaced. But it is difficult to distinguish those seeking to avoid the conflict from the bulk of economic migrants because the rural areas are so impoverished and because there has been little research on internal migration.

The failure to create and implement a coherent overall development strategy mobilizing all of Nepal's resources — including effective education, training, and manpower planning for human resource development — has led to low rates of growth and high levels of unemployment and underemployment in what remains a largely subsistence agriculture, handicraft, and service-based economy, with around 40 percent of the population below the poverty line. Hence, the massive upsurge in migration from rural areas to cities and other countries.

The implications of this situation are far-reaching for Nepal as a whole, for the structure and dynamics of regional and local economy and society, and — perhaps most of all — for

households and individuals all over the country, both those directly involved in foreign labor migration and those left behind.

David Seddon is Professor of Development Studies at the University of East Anglia. Although his major regional specialization is North Africa and the Middle East, he has also worked in Asia, including Nepal, where for many years he has been involved, as a researcher and consultant, with rural development issues, including those associated with migration.

Official statistics seriously underestimate the number of Nepali migrant workers abroad and both the volume and value of remittances flowing back into Nepal from those workers. Original research by the authors suggests that many migrant workers abroad are working illegally and unofficially, and that the bulk of remittances also flow back into Nepal informally and illegally. The scale of remittances, consequently, is at least ten times greater than official estimates indicate (equal to 13 percent of GDP) and quite possibly twenty times greater (equal to 25 percent of GDP). This indicates the need for a thorough reconsideration of Nepal's balance of payments. The authors illustrate how remittances flow back into Nepal unevenly, contributing to growing inequalities, both between regions and between social classes.

The contribution made by remittance in poverty reduction, experts today said that had the amount of remittance stayed unchanged over the last eight years, poverty would have declined by mere 3.9 percentage point and not 11 percentage points, as recorded. Moreover, if remittance amount from abroad had stayed the same, poverty would have declined by just 4.8 percentage point. With the pay hike of servicemen in India, remittance of Gurkha soldiers serving in the Indian army, too, has gone up significantly. Besides these formal announcements, studies suggest that remittance (that is, earning by Nepalese nationals working abroad) has become the highest earning sector of foreign exchange in the country's economy.

#### **4.2.18 Remittance could be Misused**

The high flows of remittance have greatly contributed in reducing poverty, remittance channels may be misused for money laundering and financing for terror. Moreover, the large remittance flows may lead to currency appreciation and could adversely affect exports.

The role of remittance has played in lowering poverty of Nepal and with remittance income of \$1.2 billion, Nepal lies among the 20 top remittance receiving countries. There is considerable scope for reducing remittance costs, thereby encouraging migrants to send more money back home. As per the Krishna Bahadur Manandhar, deputy governor of Nepal Rastra Bank said the healthy inflow of remittance has insulated the economy from possible negative impacts of dwindling industrial activities and tourism sector. He also appraised the gathering about the various policies adopted by the central bank to lure remittance income and said that Nepal has the lowest commission on transfer of remittance money.

The healthy inflow of remittance has played a crucial role in lowering poverty and sustaining economy, which has been engulfed in various problems. Poverty in Nepal falls from 42% to 31% between 1996-2004 despite a difficult political & conflict-ridden environment, according to a new World Bank report. One of the drivers in reducing poverty could be named as remittance.

However, along with the promotion of foreign employment, the government should also put due attention in developing labour-intensive industries like carpets and garments. Remittance has been a reliable and important source for developing countries to make their balance of payment position favorable. The government should play constructive role in management of migration to ensure a sustainable development of the country.

#### **4.2.19 Traditional Remittance and Productizing the Remittance**

The development impact of migrant remittances is a little limited. Traditional cash-to-cash money transfers can lack macroeconomic leverage, especially when the funds are used for consumption rather than investment. However remittances can be more than simply funds transfers. Several years ago, many people have asked a basic question: Are remittances a "product" or a "platform" for development?

At the time, Thamel Dot Com had launched Nepal's first e-commerce portal and was providing Nepalese diaspora with a suite of products and services, including news and information, money transfer and the ability for people living outside of Nepal to remotely purchase goods and services in Nepal for local delivery. Thamel Dot Com money transfer service mirrored that of other money transfer companies—remittances were viewed as a "product". Over time, they came to the conclusion that cash-to-cash money transfer, as a product, is not very interesting...or economically dynamic. Money transfer services became much more interested in our cash-to-products transactions. This interest came from the fact that the financial margins are better when people "productize" remittances; and also because the economic impact is higher when remittances are directly turned into the value for which they are intended.

"Productized" remittances deliver greater economic impact than traditional cash remittances for several reasons. The cost to the sender for the money-transfer element of the transaction is lower, thus increasing the buying power of the remittance. The remittance sender maintains more control over the use of the remittance, thus lowering waste and misuse of the money. The productized remittance platform offers the sender more options for investment, including financial services like bank-based savings accounts, loan-based purchases, and access to capital. And finally, the intermediary business operating the platform (such as Thamel Dot Com) is motivated to find new ways to add value and offer new products and services to the remittance sender, thus helping develop local businesses. Understanding this relationship between remittances and potential local business development is critical if remittances are to provide optimal economic results.

Cash remittances are just one way that diaspora populations impact development in their homelands. For example, the Chinese and Indian diasporas have fueled development in their countries via both cash remittances and their direct engagement associated with the remittances. Anna Lee Saxenian has superbly described this phenomenon in her book *The New Argonauts*. She illustrates how diaspora have created networks, pooled their experience and resources and used their capital to create opportunities for themselves and their countrymen in their respective homelands. This holistic approach to diaspora and



development, with remittances viewed as a key "platform" rather than as a "product", reflects a forward-looking perspective.

The real development opportunity for the future rests in how remittances are managed. I would like to see the remittance debate focus more on the role of remittance platforms and the development processes needed to effectively use remittances to provide benefits and opportunities for stakeholders involved in the whole remittance value chain.

#### **4.2.20 Dollar Depreciation Affects Remittance**

The depreciation of US dollar has affected the remittance earning and foreign exchange reserve, say reports. The growth rate of forex reserve has declined in the first 11 months of the fiscal year. The report on economic situation about the 11 months of recently ended fiscal year (2008/09) published by the Nepal Rastra Bank (NRB) has stated that during that [period, total forex reserve declined by 1.6 percent to reach Rs 162 billion. The central bank has said that the decline is due to depreciation of US dollar.

During this period, the value of US dollar depreciated by 13.3 percent compared with its appreciation by 4.22 percent in the previous fiscal year. The scarcity of Indian currency has also deepened. During the review period, NRB spent US\$ 820 million to buy Rs 57.36 billion of Indian currency. The share of Indian currency in total forex reserve stands at only 5 percent.

The report says the inflation rate has come down to 4.5 percent during the period compared with 9.1 percent previous year. Total exports have increased merely by 0.8 percent. Exports to third countries have declined (by 2 percent) while those to India have marginally increased (by 2.1 percent). Total imports have increased by 11 percent. Although government spending has increased, it has been sustained by the handsome rise in revenue collection.

#### **4.2.21 Estimation of next year's Remittance**

Analyzing the trend of remittance of next two years from 2008 to 2010. Using the mathematical calculation to estimate the remittance in next two years years.

$$y = a + bx \text{ ----- (i)}$$

(Rs. In Million)

Year(X)	Remittance(y)	x=X-2006	x <sup>2</sup>	xy
2004	58587.60	-2	4	234530.4
2005	65541.20	-1	1	65541.20
2006	97536.20	0	0	0
2007	105000.00	1	1	105000.00
2008	142682.7	2	4	570730.8
Total	y=469347.7	x X0	x <sup>2</sup> X10	xy =975622.4

Since  $x = 0$ ,

$$\begin{aligned} \text{So, } a &= \frac{y}{n} \\ &= \frac{469347.7}{5} \\ &= 93869.54 \end{aligned}$$

Similarly,

$$\begin{aligned} b &= \frac{xy}{x^2} \\ &= \frac{975622.4}{10} \\ &= 97562.24 \end{aligned}$$

Substituting the value of a & b in equation (i), the equation of the trend line is,

$$\begin{aligned} y &= a + bx \\ &= 93869.54 + 97562.24x \end{aligned}$$

When  $x = 2$ ,

$$y = 93869.54 + 97562.24 * 2 \\ = 288994.02$$

So, the remittance is in increasing trend and as like to be Rs.288994.02 Million on July 2010.

### **4.3 Major Findings of the Study**

After analyzing the various aspects of the remittance in Nepal, we came to know that remittance plays a vital role in the growth of the economy of Nepal. Huge numbers of people are migrating day by day in search of an opportunity, which leads to the increment in the volume of remittance received by Nepal. However, there is a little volume of outward remittance which flows from Nepal to other countries but the number of outward remittance is negligible in terms of inward remittance that received by Nepal.

Remittance as a major source of foreign currency to the developing nation has become a substantial component of making current account surplus in the balance of payments. It is argued that many workers from Nepal going abroad for employment are no doubt young, energetic, laborious and enthusiastic. They do hard work for earning large remittance income to support their families. However; the downside of remittances reflects the view that remaining young generation for long time outside without family may increase their vulnerability and ultimately they will have a tendency to leave their homeland. Thus, in order to recover the loss of economically active labour force to the domestic economy, they should be encouraged to comeback again with skilled knowledge for utilizing their savings and working experience for development to the productive areas in accordance with the priority of the national development plans.

Money earned by Nepalese working overseas has surpassed exports as the top contributor to foreign exchange earning with vibrant contributions to the country's Gross Domestic Product (GDP). A significant rise in the contribution by remittances to the GDP from 11.5 percent in 2002-03 to 16.8 percent in 2008-09 is a clear testament that its role in the national economy is gaining stature. It has now positioned itself as the top contributor to foreign exchange earnings for the last five years. This was revealed in a Nepal Rastra Bank (NRB) report on 'Inflow of Workers' Remittances: Nepal's Experiences' presented at South Asian Association

for Regional Cooperation (SAARC)-Finance seminar on Management of Workers' Remittances in SAARC Countries.

The growing remittances have led to a surplus in the current account, thereby strengthening the overall balance of payment position. The share of remittances in total current account soared to 46.7 percent from 29.8 percent in the past five years. Growth of 26 percent in convertible currency reserves of the banking system is also due to increasing remittances.

As per the estimation of remittance in next year estimated as per the trend analysis, remittance could reach to Rs. 142.5Bio in year 2007/2009.

Current trend of international labour migration in India, Middle East, South East Asian countries and Europe and America is a grown-up form of traditional migration as “Lahure” in Indian and British Army and domestic workers in India. The current international labour migration can be separated on the basis of “Class” of the people.

The poor and vulnerable groups of people are migrating to India and they are only able to spend a little money for their trip. The second type of migrant workers are from a bit well-off family, but not educated (in most cases) and can spend up to Rs.100,000 (either by taking loans or selling the inherited property). These groups tend to migrate as a foreign labour towards the Middle East and Malaysia.

The third types of people are from the middle or higher middle class family who are motivated to migrate in East Asian countries like Japan and South Korea. Having a capacity to spend from NRs.400,000 – 700,000 these people are ready to bear higher risk for higher income. The fourth types of people are from a well-to-do family who are motivated to migrate towards Europe, America and other developed countries in Asia Pacific region.

The trend of foreign labour migration is seen to have increased after 1990 when democracy was restored in Nepal. Before 1990 it was very hard to obtain passports from administrative authority and the Ministry of Foreign Affairs in Kathmandu was the only government institution to issue passports. It was only after the labour market was open for Nepalese

people wanting to go abroad for foreign employment the need for a hassle free mechanism to issue passports was felt. This initiated the mechanism of issuing passports from the concerned districts. At the same time government adopted liberal economic policy and open democratic environment, which assisted to increase diplomatic relationship with other countries. Increased movement of people in different corner of the world also supported the Nepalese to explore new possibilities and opportunities in other parts of the world. The development of Information Communication and Technology (ICT) also made people able to look for international job from personal level.

As a result of these all factors the establishment of manpower agencies grew rapidly and initiated to supply manpower in the Gulf States which was trying to overcome its shattered economy due to the recent gulf war. Honesty and believable nature of Nepalese workers added more value to promote the business of supplying manpower in a very short span of time.

### **Benefiting Factors of International Labour Migration**

Over the years, population growth coupled with a dearth of employment opportunities have forced many Nepali workers to leave for foreign shores in search of work. Getting a job, eking out a livelihood and leading a respectable life at home have become more and more difficult. The nation is still without a vibrant industrial, financial, agricultural and service sector.

Therefore, steady growth in the nation's economy, which could have helped raise the living standard of many Nepalese, has become a distant dream. As a result, skilled, semi-skilled and unskilled workers are leaving the country in masses to work and earn. The deterioration in the security situation has also induced many Nepalese to go abroad in search of jobs so that they could send some of their saved earnings to sustain their families back home. The bulk of Nepali workers go to nearby India, while others choose to go to the Gulf countries, Malaysia, South Korea, Japan, Israel, Australia, Europe and America. In recent times, the number of women going abroad for work has also jumped. According to an unofficial report, with the insurgency taking a heavy toll, about 300 – 500 Nepali workers leave for foreign lands

everyday. Many of the “insurgency hit” people with low income have migrated, mostly to India. People with some means usually go to those nations where the remuneration and salaries are relatively higher.

These hardworking and honest people leaving the country in search of employment opportunities are an invaluable resource to Nepal’s ailing economy. Statistics from Nepal Rastra Bank, the country’s central bank, reveal that the Nepali economy in 2008/09 earned over USD 1322 million in remittances from overseas workers – accounting for 16.8 percent of national GDP. With 30 to 50 percent of these remittances being transferred through informal channels, total remittances for that year could easily top USD 1.5 billion. More importantly, however, this money is spread throughout the country, providing significantly greater security against a potential economic crisis. In explaining the value of remittances to Nepal, the representative of the Asian Development Bank, Sultan Hafeez Rahman, recently noted: “Remittances are one of the great equalizers in otherwise inequitable economies. People who go abroad are randomly and evenly distributed from across “the country.”

Migration for employment has long played a crucial role in shaping South Asia. With over 40 percent of regional population still living on less than a dollar a day, migration to meet basic needs and improve standards of living will continue to play an important role in the region. During the oil boom in the 1970s, the labour-surplus economies of South Asia were able to supply cheap labour to meet the growing labour demands in Middle East. These labour markets, including those in East Asia, proved vital for South Asian economies. According to the World Bank, by 2008 remittances were injecting USD 5.4 billion into the Bangladeshi economy, USD 7.1 billion into Pakistan, and a staggering USD 35 billion into India – accounting for over 5 percent of the GDP in all three countries.

### **Problems in Government and Policy Level**

There is lack of adequate human resource in the government level that provides labour permit to the workers. Labour official provide work permission on the basis of submitted document but government doesn’t have a proper mechanism that verify the eligibility of the document i.e. the lack of check and balance in the labour administration. Concerned labour

administrator need to have a good knowledge about the situation of foreign labour workers, labour act and migrant workers policies of different countries.

There is also a lack of demand verification system within the government system. Whether the workers are demanded legally or not, whether they get salary mentioned in the agreement paper or not, what should be done if the workers are exploited in the country of destination etc. These questions are always unanswerable in the policy level. Government should take the initiations so as to safeguard the interest of the migrant workers leaving the country everyday.

A follow-up activity from the government level is always lacking. The fixation of minimum wages of Nepalese migrant workers is not properly implemented due to the wrong attitude of recruitment agencies towards the migrant worker. But government has not developed mechanism to cross check on this matter and charge penalty to the concerned employment agencies.

Lack of labour attaché – the major work of labour attaché is to monitor the situation of migrant workers and to work as mediator among the worker, companies and the government of labour receiving country, if any problem occurs. Human resources are not sufficient in the foreign diplomatic missions of Nepal. Despite of the higher volume of Nepalese workers in Malaysia, Qatar and United Arab Emirates there are comparatively quite few number of government officials working in the diplomatic mission. Market promotion from the government level is always a lacking aspect since the very beginning of labour sending tradition.

Market assessment is also lacking from the government which would have assisted to project the need of labours for future and the possible areas where the labours could be supplied. But, Nepalese government has no such mechanism and is done without proper planning.

Training or counseling to the outgoing labour migrants, provided by the government is not effective and practical due to the lack of skilled trainers. Generally the trainers do not have practical knowledge about the place of destination and lacking international traveling

experience. In most cases labours migrating outside are deprived of such trainings or counseling classes. Lack of coordination is also observed amongst the government bodies.

All administrative processes should be done from a single table for the easy facilitation of work permit. The inclusion of labour cycle is also very important while adopting the national policies on foreign employment which is lacking in the current government policies on foreign employment. Labour cycle here means the pre-departure, departure, on the job and integration. These four stages of labour migration are very important and government has to effectively address these stages in the national policy on foreign employment.

The government has not allocated proper budget for strengthening the labour administration. The available resource is only limited to salary and allowances of staffs. No proper attention has been paid for the skill development to enhance their productivity. Due to the limitation of human resource in the concerned sector, there is negative impact on workers' performance and productivity of the concerned institution.

In conclusion, foreign employment occupation is still not in the higher priority of government, though they are claiming that our economy is transformed towards remittance based economy.

### **Factors Behind Reduction in Poverty**

According to the second Nepal Living Standard survey conducted by the World Bank, Nepal's poverty has reduced by 11 percent during the last eight years (2052/53 to 2060/61). This indicates that the percentage of people living under the poverty line has reduced from 42 percent to 31 percent. This has however not contributed much in the poverty reduction of the rural areas. This has been witnessed by the fact that rich people are getting richer whereas the poor are getting poorer. Poverty has reduced from 43 percent to 35 percent in the rural villages i.e. rural areas have experienced an 8 percent reduction in poverty whereas poverty in urban areas reduced from 22 percent to 10 percent hence witnessing a 12 percent reduction. This has hence given rise to the ever widening gap between the rich and the poor or between the rural and the urban areas hence making an impact on the overall economic development of the country.



Poverty reduction is definitely a matter of pride; moreover that, 11 percent reduction on poverty during a short span of 8 years is a substantial economic achievement for a country like Nepal whose economy is shattered due to the ongoing political instability. What then can be considered as a major contributor in the poverty reduction of the country? Development plans have not been so influential despite the 9<sup>th</sup> and 10<sup>th</sup> Development Plans' only aim was poverty alleviation. According to World Bank's report the major reasons behind poverty reduction are increase in the inward remittance, increase in the daily wages in the agriculture and non-agricultural areas, increasing urbanization, decrease in the number of dependent family members etc. inward remittance singly claims 50 percent contribution in reducing poverty.

If we observe the utilization of inward remittance by its recipients it can be seen that most of it is spent on household matters. It is due to this fact which has led to a decrement in the number of people living under the poverty line. It is due to the flow of inward remittance which has made it possible for many people to raise their standard of living. This has resulted in an economic prosperity amongst most Nepalese people. This however should not be related to the economic condition of the country. The economic scenario of the country depicts a different picture i.e. the poverty has reduced despite the downturn in the economic development of the country. Hence inward remittance can be considered as a major contributor in making it possible.

From this study we came to know that till now many remittance comes thru the informal channel so that the record recorded by government are not actual. However, it doesn't take into account the flow through informal channels, as the econometric analysis and available household surveys show that unrecorded flows through informal channels may add 50 percent or more than recorded flows. Many people do not want to send the money from any legal entity due to their commission charge. Therefore, government should establish that type of systematic process in which the legal entity takes only a small percent of commission to send the remittance. As a result, the poor people will also attract to send the money thru formal channels. Many people of rural areas are uneducated so government should educate them regarding the value and safety of fund which can be gained thru transformation of fund

by the formal channels. For the sake of safety of fund many people will start transferring the fund thru formal channel.

To be productive in the remittance sector, financial institutions should also help customer to get their remittance as fast as possible. Therefore, they should cut off their unnecessary process / steps of getting the remittance from different centres of the world. Customer are the god for financial institutions therefore, they should outserve them as far as possible by cutting down unnecessary process / steps which could be burden to the customers.

By the help of these regulations obviously the remittance will drastically increase in near future which will help in the growth of the economy of the nation. In the difficult period of Nepal where there was an internal war between Maoist and Nepal Army only the remittance has helped in stabling the GNP of the nation. In present scenario, we can see that the country is being stable with the fine political situation. Hence, if the remittance increases as per the past analysis then with the help of remittance and other factors the GNP of Nepal will reach to the peak.

## **CHAPTER - V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Summary**

Foreign employment, remittance income, economic development and poverty reduction is the main topics for Nepal. There is positive impact from foreign employment in the economy of Nepal.

Remittance means transferring money from one place to another place. The term “remittances” basically refer to the transfers, in cash or in kind, from a migrant to households residents in the country of origin. The IMF considers a wider definition and incorporates three categories, that is, workers’ remittances or transfers in cash or in kind from migrants to

resident households in the country of origin, compensation to employees or the wages, salaries and other remuneration , in cash or in kind, paid to individuals who work in a country other than where they legally reside and migrant transfers which denote capital transfers of financial assets made by migrants as they move from one country to another and stay for more than one year.

Migrant remittances represent the most direct, immediate and far reaching benefit to migrants and their countries of origin. They are a more constant source of income to developing countries than official development assistance, foreign direct investment and other private flows. Moreover, the emergence of remittances as a new strategy for poverty alleviation in developing countries has spurred multilateral institutions, international organizations, and national governments, among others, to seriously study, identify and implement measures on how these inflows could be maximized and then harnessed for the development of migrants' countries of origin.

The potential for remittances to reduce poverty and economic vulnerability, improve family welfare and stimulate economic development has been of special interest to the governments everywhere. As stated in the BOP Manual “workers remittances cover current transfers by migrants who are employed in new economies and considered residents there. (A migrant is a person who comes to an economy and stays, or is expected to stay, for a year or more). Workers’ remittances often involve related persons. Persons who work for and stay in new economies for less than a year are considered non-residents; their transactions are appropriate mainly to the component for compensation of employees.” The Nepal Rastra Bank (NRB), the country’s central banking authority, follows the IMF Manual in recording remittances or migrant transfers in its BOP computation.

Since the end of the 1990s, there has been a renewed interest in the financial resources that migrants send back to their countries of origin due to the potential contribution to the economic development of the receiving regions. It is generally acknowledged that foreign remittances, whether channeled through formal or informal modes from host countries to receiving countries, contribute positively towards the economic development both at the

household level and country level, although remittances through formal channels are more amenable to policy interventions and are generally believed to have greater developmental impacts.

Remittance as a major source of foreign currency to the developing nation has become a substantial component of making current account surplus in the balance of payments. It is argued that many workers from Nepal going abroad for employment are no doubt young, energetic, laborious and enthusiastic. They do hard work for earning large remittance income to support their families. However, the downside of remittances reflects the view that remaining young generation for long time outside without family may increase their vulnerability and ultimately they will have a tendency to leave their homeland. Thus, in order to recover the loss of economically active labor force to the domestic economy, they should be encouraged to come back again with skilled knowledge for utilizing their savings and working experience for development to the productive areas in accordance with the priority of the national development plans.

Little research has been conducted on issues dealing with Nepalese migrant workers and remittances. Misplaced nationalistic pride could be at fault; as such workers are often dismissed for the “unpatriotic” act of leaving the country in search of work. The issue of Nepalese remittance was first brought into the public eye in 1997, around the same time as British Department for International Development (DFID) – supported project was being conducted on the effects of remittance in rural Nepal. This project was an offshoot of research done in 1996 on the rural economy of western Nepal, which showed an increasing reliance on remittances. Presented in 1998, the preliminary findings of the DFID research suggested that the actual volume and importance of remittances to the Nepali economy had been significantly understated, a finding confirmed by subsequent research.

There are more than 500 thousands documented Nepali labour migrants who have left the country in search of foreign employment since last fifteen years. This number does not include the migrants who are residing in India. Major concentration of Nepali labour migrants is found in Qatar, Saudi Arab, UAE and Malaysia. There is no significant number

of labour migrants in other countries. The trend of labour migration in the Gulf States and Malaysia is increasing gradually. Ongoing conflict (political instability) and the loss of employment opportunity are found to be the major reason to the increment of international labour migration. Volume of migrant workers has increased considerably after the start of armed conflict in Nepal.

Inward remittances to its recipients here in Nepal have become the most important financial support. It has helped them overcome their financial difficulties. Although most of the Nepalese workers going abroad for foreign employment were found to have been involved in lower paying jobs, their savings sent back home in the form of remittance are of great importance. With the appointment of subagents for making remittance payments at various major parts of the country, receiving the remittance is not a big problem for the beneficiaries. It was found that most of the people at the receiving end had collected their funds within 2-7 days of remittance.

## **5.2 Conclusions**

From the foregoing analysis, it can be concluded that remittances are claimed as an important sources of increasing foreign exchange earnings in Nepal. Moreover, remittances may be a dependable source of national income for economic development if there is job guarantee for the workers with the wage level equivalent to the residence of the 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 remittances 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.

Remittance as a major source of foreign currency to the developing nation has become a substantial component of making current account surplus in the balance of payments. It is argued that many workers from Nepal going abroad for employment are no doubt young,

energetic, laborious and enthusiastic. They do hard work for earning large remittance income to support their families. However, the downside of remittances reflects the view that remaining young generation for long time outside without family may increase their vulnerability and ultimately they will have a tendency to leave their homeland. Thus, in order to recover the loss of economically active labor force to the domestic economy, they should be encouraged to come back again with skilled knowledge for utilizing their savings and working experience for development to the productive areas in accordance with the priority of the national development plans.

Basically, remittances are private funds that should be treated like other sources of households' income. In terms of assets formation, large number of remittance receivers uses their funds to purchase lands or building in town areas. Someone purchase means of transportation as a part of their investment. Very rare is found in promoting agriculture and tourism. In short, It could be asserted that the productive use of remittance income is yet to be sought though it forms a significant part of GNP. Furthermore, in order to channel remittances in productive areas for economic growth, the government should offer incentive to increase remittance flows. Tax incentives like rebates or concession may attract remittances, but they may also encourage tax evasion. The government has to assess prospective growth rates, potential for exports, revenue elasticity and composition of existing debt. Besides, the government may choose to increase either external borrowing or to raise remittances for economic growth (Heller 2007).

Over the past 18 years from 1991, international migrants' remittances have become increasingly prominent in our country. The amount of remittances reflects only transfer record in the balance of payments. Unrecorded flows through informal channels are believed to be more than the recorded flows. Regarding the transfer of remittances in Nepal, the record of banking sector showed that Rs. 15.9billion was received in FY.2002/03. However, Hundi operators or money transferring agencies handled the bulk part of remittances. Considering the increasing number of workers, assuming four lakh per year going outside the country in this perspective, remittance received was estimated at Rs. 50 billion in FY 2002/03, (Kshetry 2003). .In this regard, it is also estimated that more than 500 people per

day are going abroad for foreign employment. From such migrants, about Rs. 100 billion per year is expected to enter into the country through remittance income only (Annapurna Post, Oct.28, 2006). NRB's latest data shows remittance increased by 19.7 percent during the period against an increment of 59.4 percent in the corresponding period last year. The central bank's statistics show Nepal received remittance worth Rs. 34.99billion in the review period. Remittance inflow during the same period last year was Rs. 29.23 billion. Nepal had received remittance worth Rs. 209.69 billion in the whole of the FY 2008 (The Kathmandu Post, Nov.13, 2009). In order to provide access for transferring remittances, Western Union, IME and Prabhu Money Transfers are found active in Nepal. Of these agencies, more than 200 sub-agents of single Hulas remittance including banks, finance companies, trading concerns, enterprises etc. under the province of Western Union, have been opened in five Development Regions of Nepal. These agents deliver remittances to the recipients of local areas within a short span of time.

Remittance has its pros and cons. Because of the migration, many skilled, talented and energetic people of the country have been migrated and hardly have they returned to their motherland. Many people returns only after their age didn't support them to work. Thus, country is lacking its energetic, talented and skilled manpower. Because of the lack of opportunities and the less benefit, many people of developing countries are migrating to the developed countries and this rate has been increasing year by year. Although mentioning the disadvantage of the remittance, it has a great advantage in the developing countries GDP. It plays a vital role in the development of the country by helping to increase or uplift the economy of the nation. Many people's living standard has been increased through remittance. Remittance income in developing countries has become a lifeline for economic development. Remittances are especially important for low-income countries or developing countries like Nepal. It helps to boost the economy of the nation. Thus, we have to educate all the people to use the formal channels to send their money to their family so that the money will be safe and secure plus the nation received the benefits from this as well.

International labour migration is an intricate issue, emanating from a combination of push and pull factors, including poverty, unemployment, demand of the labour market, political

conflicts, improved communications and transport, among others. It has been one of the most dynamic phenomena of the last four decades and will be an ever-challenging issue in this era of globalization.

Nepal, one of the country's major exports is labour, and most rural households now depend on at least one member's earnings from employment away from home. Nepalese workers have sought foreign employment as both the agricultural and non-agricultural sectors struggle to create new employment opportunities. Currently, the Maoist insurgency in the country has also prompted people to look for overseas employment. As a result, many workers have seen foreign employment as their only viable option. Moreover, out-migration seems to have eased the unemployment situation to some extent and has ameliorated the living conditions of migrant workers' dependents.

As depicted in the above presented figures we have reached to the conclusion that with the rise in the number of migrants and the consequent rise in remittances, the NRB has been able to build official reserves to adequate levels, reducing its vulnerability to external shocks. In FY 2008/09, workers' remittances amounted to Rs. 78.4 billion, a rise of 14.7 percent from Rs. 58.6 billion in FY 2007/08. Besides, about Rs. 12.5 billion in foreign exchange was received as pension.

The rising remittances have created a surplus in the current account, subsequently strengthening the overall balance of payments position. For instance, the share of remittances in total current account receipts went up to 33.7 percent in FY 2007/08 from 27.4 percent in FY 2002/03.

The effect of remittances on poverty reduction at the national level has been positive. According to the second Nepal Living Standards Survey (NLSS), remittance flows were, to a large extent, responsible for the reduction in poverty from 42 percent in FY 1995/96 to 31 percent in FY 2008/09.



Thus, in summation, we can say that remittance has played a great role to sustain or maintain the economy as well as it helps to boost the economy of the country. In the difficult situation of the country where there was the internal war between Maoist and the Government many business suffered. However, due to good volume of flow of remittance, the economy of the country was well placed. Remittance prevents economy to suffer from the internal war in the nation. Therefore, government should look into the possibilities to improve the remittance field in Nepal by imposing less tax.

### **5.3 Recommendations**

Remittance is the backbone of the economy of the developing countries. We have seen in the above analysis as well that how the remittance has played the vital part in development of the economy of the nation. We have been receiving the huge number of remittance in the last year and the increment of the remittance fund from year to year has been also increasing with the higher proportion. Thus, we have expected the remittance to be increased in the next year.

From the above analysis, it is recommended that a national policy of remittances could build up the framework under which the endeavors of the NRB, Department of Labor and Employment Promotion, poverty alleviation agencies and the Ministry of Foreign Affairs, could be aggregated and coordinated towards the attainment of common goals. Again, a national policy on remittances could support in placing the topic of remittances on the national development agenda, particularly in a country like Nepal where remittances to GDP ratio is quite high.

The opportunity to promote self-employment and small business formation amongst returning migrants and their relations back home should be acknowledgement by the government and schemes must be targeted to support investment in business activities.

The banking system of Nepal has not been adequately developed in terms of coverage and efficiency. Many villages of rural Nepal are devoid of any financial institution and a large proportion of the people in these regions are illiterate and ignorant about the operations of the banking system. Furthermore, the absence of transport facilities has isolated such villages from other parts of the country. Against this perspective, it is crucial to expand the banking network in the rural areas. At the same time, as it might not be economically feasible for the

commercial banks to establish their branches in the collaboration with cooperatives and other rural institutions in those areas for conducting the remittance business.

Pre-departure training for labour migrants is not only important to reduce the human and economic costs of migration; it can also be a powerful tool in raising awareness about remittance methods and utilization. The involvement of a variety of actors (migrant associations, NGOs and governmental bodies) is instrumental in the success of these initiatives.

The government must understand that remittances cannot be a panacea to our structural economic problems. Remittances do not automatically contribute to national development. To carry out effective and efficient public policies to channel remittances into productive projects, the government has to look at what motivate Nepalis to send money home particularly beyond individual family remittances, and craft its policies to take advantage of it. The government must therefore use its embassies abroad to foster a sense of solidarity and community identity among Nepalese abroad.

One of the biggest hurdles to private sector growth in Nepal is the paucity of credit for seed capital and working capital for enterprises, especially small and medium-size enterprises. Pooled remittances can provide such credit, thus supporting the growth of enterprises. Although residing abroad, many Nepalese migrants want to invest in enterprises in their home country, either to employ family members at home, earn additional income or to prepare for their retirement or eventual return. These types of investments on the part of remitters can lower poverty by expanding business in their home communities and generating jobs and income that would not otherwise exist.

The workers will be inclined to use the banking channel only if the services provided are quick, reliable and efficient. Hence, new technologies that are constantly changing in the international banking system should be introduced in order to make the payment process quick, simple and hassle-free. Help desk, just relating to remittances and workers seeking loans for going overseas for employment, should be set up at all the financial institutions.

A critical challenge facing Nepal with huge remittance receipts is to find ways in which these payments can be used to benefit the wider society. The governments of Brazil, Mexico, India and the Philippines had employed an array of inducements to attract these funds to specific saving and investment vehicles, including migrant pension plans, preferential loans or grants for business ventures, preferential access to capital goods and raw material imports for recent returnees, and investment and advisory services for business start-up. Nepal can learn a great deal from the experiences of these countries.

The following principles should be considered by the regulating authorities and remittance operators for ensuring efficient management in remittance service:

- J Remittances flows are a crucial policy concern since they are very large in size, are relatively stable and provide a cushion for economic shocks, and unique in providing direct benefits for households.
- J Bringing recipient households into the formal financial sector is only the first step in using remittances more effectively. Country surveys indicate that, although households typically spend a large proportion of their remittances, their propensity to save can be as high as 40 percent. For policymakers in Nepal, the challenge is to channel these savings into productive uses.
- J The bottom line, however, is that remittances cannot be a substitute for a sustained, domestically engineered development effort. Moreover, large-scale migration may hurt domestic labor markets in specific sectors, particularly when those leaving are mostly skilled workers. Still, migrant transfers can help ease the immediate budget constraints of recipient households.
- J Having seen the end use of the remitted fund it is felt that Nepal still lags on the meaningful productive use of remittances money for the betterment of the people and economy. Presence of remittances has boosted informal lending practices. It has been

concentrated on the investment in real state business also. But presence of remittance in Nepal has widened the income and wealth gap. Additionally, Nepal is not succeeding to tap more and more remittances amount via banking channels despite of various efforts in the past. As a result, a substantial portion of remittances are still coming to Nepal via informal channels. Central Bank's policies in the major South Asian labour exporting countries, aimed at rationalizing the exchange rate mechanism, is expected to bring more remittances through banking channels.

The above mentioned general principles should be announced without delay by the Nepal Government and the regulating authorities as the public policy guidelines for achieving safe and efficient foreign remittance services. This announcement should also ensure the remittance market more contestable, transparent, accessible and sound.

## **BIBLIOGRAPHY**

- Boss- KFA Research Team, (2006): *Remittance Driving the Economy*. Kathmandu: Boss Magazine.
- Gurung, Ganesh and Team (2005): *Remittance*: Kathmandu: Himalayan Times.
- Gaudel, Yadav Sharma (2004): *Remittance Income in Nepal: Need for Economic Development*: Kathmandu: M.K. Publishers and Distributors.
- Glinskaya, Elena; Bontch- Osmolovski, Mikhail and Lokshin, Michael (2005): *Work-related Migration and Poverty Reduction in Nepal*: Kathmandu: The Rising Nepal.
- Seddon, David with Adhikari, Jagannath and Gurung, Ganesh (2006): *Foreign Labor Migration and The Remittance Economy of Nepal*. Kathmandu: M.K. Publishers & Distributors.
- Dahal, Rajendra (2006): *Nepal's Remittance Bonanza*. Kathmandu: Ashmita Books & Stationery.

- Singh, Pranab Man (2005): *Remittance Economy*. Himal South Asian Magazine.
- Kollmair, Michael; Manandhar, Siddhi; Subedi Bhim & Thieme, Susan (2006). *New Figures for Old Stories: Migration and Remittances in Nepal*. BOSS Magazine.
- Katz, Rob (2006). *Diasporas for Development: The Remittance Platform*. Kathmandu: The Rising Nepal.
- Seddon, David of University of East Anglina (2005). *Remittance Economy*. Kathmandu: The Himalayan Times.
- Gurung, Ganesh (2006): *Sending money home: Worldwide remittance flows to developing countries*: Shyam Pustak Bhandar.
- Adhikari, Jagannath (2005). *Remittance Major Factor Behind Poverty Decline*: Ashmita Books & Stationery.
- Seddon, David (2005). *Nepal's Dependence on Exporting Labor*. Kathmandu: The Rising Nepal.
- Karna, Dr Sohan Kumar (2007). *Remittance Economy of Nepal*. Kathmandu: The Rising Nepal.
- Dahal, Rajendra (2000). *Nepal's Remittance Bonanza*. Kathmandu: Himal South Asia Magazine.
- Ferrari, Aurora (2007). *Access to Financial Services in Nepal*: Kathmandu: New Business Age.
- Adams, H., Richard (2003). *International Migration Remittances and the Brain Drain* (Geneva: ILO)
- Elizabeth, Morris (ed.) (2004). *Report on the ILO Sub-regional Training Workshop on Labour Migration Policy and Management* (Geneva: ILO)
- GEFONT (1998). *GEFONT and the Migrant Workers*, (Kathmandu: GEFONT Resource Centre)
- HMG/Nepal (1999). *National Labour Policy*. Kathmandu: Available at [www.labournepal.org](http://www.labournepal.org))
- Human Rights Watch (1995). *Trafficking of Nepali Girls and Women to India's Brothels*. Washington D.C.: Human Rights Watch.
- ILO (2002). *Report of Tripartite Forum on Labour Migration in Southern Africa Pretoria* Geneva: ILO

- ILO (2003). *Challenges to Labour Migration Policy and Management in Asia*. Geneva: ILO.
- ILO (2003). *Draft Summary of Conclusions of ILO Regional Tripartite Meeting on Challenges to Labour Migration Policy and Management in Asia*. Bangkok: ILO Regional Office.
- ILO-DFID (2002). *Managing Foreign Employment in Nepal: Issues, Challenges and Strategies*. An Unpublished Advisory Report. Kathmandu.
- IOM (2003). *International Labour Migration: Trends and IOM Policy and Programmes*. Geneva: IOM, MC/INF/264.
- IOM (2004). *International Migration Vol. 42(5)* (Geneva: IOM)
- K.C. Bal, Kumar (2003). *Migration, Poverty and Development in Nepal*. Bangkok: ESCAP.
- Kathleen, Newland (2003). *Migration as a Factor in Development and Poverty Reduction*. New York: Migration Policy Institute.
- Marwan, Macan, M. (2003). *Asian Migration Trail*. IPS.: Bangkok, Ministry for Labour and Transport Management, Labour and Employment Promotion Department, 2003, *Labour Market Information Bulletin, Year 2. No. 2*, Kathmandu: Labour and Employment Promotion Department.
- Parajuli, Manju, (13 April 2004). *Baideshik Rojgar Ma Mahila*. Kathmandu: Kantipur National Daily.
- Rimal, Bishnu (2004). *Migrant Workers a Snap Shot*. General Federation of Nepalese Trade Unions (GEOFONT) Kathmandu.
- Sharon, Stanton, Russell (2002). *International Migration: Implications for the World Bank*, Manila: World Bank.
- Adhikari, Janaki Ballav, (2007). *Remittance Income, economic Development and Foreign Employment Management. (NRB)*.
- UN, (1990). *International Convention on the Protection of the Right of the Migrants Workers and Members of their Families* (New York: available at [www.un.org](http://www.un.org))
- UN (2002). *International Migration Report*, (Geneva: UN)
- UNIFEM, SAMANATA & HMG/Nepal (2002), *Policies, Service Mechanisms and Issues of Nepali Migrant Women Workers: A Rapid Social Investigation* (Kathmandu: UNIFEM)
- UNIFEM & Sancharica Samuha (2003). *Foreign Employment for Women: Challenges and Opportunities*. Kathmandu: Sancharica Samuha.

- Wicramasekara, Piyasiri (2002). *Perspective on Labour Migration, Policy responses to skilled migration: Retention Return and Circulation* (Geneva: ILO).
- Sharma, Yadhav (2006). *Remittance Income in Nepal: Need for Economic Development*.
- Prof. Khatri, Sridhar (2007). *Contribution of Remittance in Poverty Alleviation and Employment*.
- Pant, Bhubanesh (2008). *Mobilizing Remittances for Productive Use* (NRB).

### **THESIS AND REPORTS (PUBLISHED AND UNPUBLISHED)**

- Baruah, Nilim (2006). *Remittances to Least Developed Countries (LDCs): Issues, Policies, Practices and Enhancing the Development Impact*. An unpublished report, Kathmandu
- Bhattarai, Prakash (October, 2005). *Migration of Nepalese Youth for Foreign Employment: Problems and Prospects*. A review of Existing Government Policies and Programmes. Youth Action Nepal, Kathmandu.
- ILO – DFID, (2002). *Managing Foreign Employment in Nepal: Issues, Challenges and Strategies*. An unpublished advisory report, Kathmandu.
- Kansakar, Vidya Bir Singh (July, 1982). *Emigration, Remittances and Rural Development*. Centre for Economic Development and Administration (CEDA), Research Department, Tribhuvan University, Kathmandu, Nepal.
- Khatiwada, Padma, P. (2001). *Cause and Consequences of International Migration in Nepal*. An unpublished dissertation submitted to Central Department of Population Studies (CDPS), Kathmandu.
- Seddon, David, Jaganath Adhikari and Ganesh Gurung (2001). *Foreign Labour Migration and the Remittance Economy of Nepal*. A Report to DFID, Kathmandu. Overseas Development Group, University of East Anglia, Norwich.

### **Web Sources**

- <http://www.apwld.org/vol143-04htm>
- [http://www.compas.ox.ac.uk/research/migration\\_management.shtml](http://www.compas.ox.ac.uk/research/migration_management.shtml)
- <http://www.gorkhapatra.org.np/pageloader.php?file=2005/011311/topstories/main1>
- <http://www.let.leidenuniv.nl/history/migration/chapter3.html>

<http://www.mapmigrant.org/>

<http://www.migrationinformation.org/profiles/print.cfm?ID=277>

<http://www.unhcr.ch/html/menu6/2/fs24.htm>

[www.google.com.np](http://www.google.com.np)

[www.himalmag.com](http://www.himalmag.com)

[www.ifad.org/events/remittances/maps](http://www.ifad.org/events/remittances/maps)

[www.kantipuronline.com](http://www.kantipuronline.com)

[www.labournepal.org/issues/migrant\\_labour/migrant\\_labour\\_snapshot.htm](http://www.labournepal.org/issues/migrant_labour/migrant_labour_snapshot.htm)

[www.nepalbiznews.com](http://www.nepalbiznews.com)

[www.newbusinessage.com](http://www.newbusinessage.com)

[www.nrb.org.np](http://www.nrb.org.np)

[www.prabhumoneyrenit.com](http://www.prabhumoneyrenit.com)

[www.rojgarayog.gov.np/ims](http://www.rojgarayog.gov.np/ims)

[www.thamelremit.com](http://www.thamelremit.com)

[www.thehimalayantimes.com](http://www.thehimalayantimes.com)

[www.westernunion.com](http://www.westernunion.com)

## TABLE OF CONTENTS

Recommendation

Viva –Voce Sheet

Declaration

Acknowledgement

Table of Contents

List of Tables

List of Figures

	<b>Page No.</b>
<b>Chapter I: INTRODUCTION</b>	1-22
1.1 An Overview of Nepalese Economy	1
1.2 Background of the study	2
1.3 Significance of Remittance	17



1.4	Focus of the Study	18
1.5	Objectives of the Study	19
1.6	Statement of the Problem	19
1.7	Limitations of the Study	20
1.8	Organization of the Study	21

**Chapter II: REVIEW OF LITERATURE** 23-46

2.1	Introduction	23
2.2	Conceptual / Theoretical Review	24
2.3	Review of Previous Thesis/Research Works	41
2.4	Conceptual Framework	45

**Chapter III: RESEARCH METHODOLOGY** 47-55

3.1	Introduction	47
3.2	Research Design	48
3.3	Population and Sampling	49
3.4	Nature of Data	50
3.5	Sources of Data	51
3.6	Data Collection	52
3.7	Data Collection Procedures	53
3.8	Sample Characteristics	54
3.9	Techniques of Data Presentation and Analysis	55
3.10	Analytical Tool	55

**Chapter IV: PRESENTATION AND ANALYSIS OF DATA** 56-105

4.1.	Introduction	56
4.2.	Data Presentation and Analysis	57
4.3	Major Findings of the Study	98

**Chapter V: SUMMARY OF FINDINGS, CONCLUSIONS AND  
RECOMMENDATIONS**

106-115

5.1.	Summary of Findings	106
5.2.	Conclusions	108
5.3	Recommendations	112

## **Bibliography**

## **Appendix**

### **LIST OF TABLES**

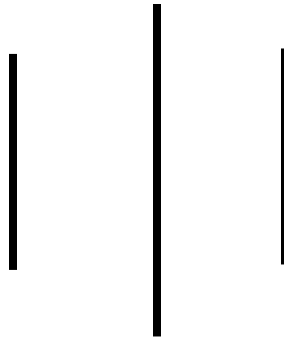
<b>S.N</b>	<b>Titles</b>	<b>Page</b>
1.1	Share of Remittance to GNP	9
1.2	Remittances Data	16
4.1	Family Size and Sources of Income	59
4.2	No. of People Involving in Foreign Employment	61
4.3	Details of Individuals going abroad for Foreign Employment	63
4.4	Share of Remittance to GNP	65
4.5	Percentage increase in Remittance	66
4.6	Comparisons of Remittances and Foreign Direct Investment	68
4.7	Remittance to Rural Households	70
4.8	Major Destination and Proportion of Nepalese Workforce	76

4.9	Types of Work Nepalese People are Involved	77
4.10	Income Status of Nepalese Workers Abroad	79
4.11	Inward and Outward Remittance	80
4.12	Comparison of Inward Remittance, Export and Import, Foreign Direct Reserve and GDP	83
4.13	Volume of Remitted Fund and Problem Faced During its Recipient	86
4.14	Utilization of the Remitted Funds and Saving Status of the Recipients	88
4.15	Remittance Received From India and Other Countries	90
4.16	Remittance Received By Developing Countries of The World	91

## LIST OF FIGURES

<b>S.N</b>	<b>Titles</b>	<b>Page</b>
4.1	Family Size and Sources of Income	59
4.2	Family Member Living Abroad	60
4.3	Source of Income	60
4.4	Age wise Distribution of Nepalese Going for Foreign Employment	63
4.5	Education, Qualification of Nepalese Going for Foreign Employment	64
4.6	Duration of Contract to Work	64
4.7	Share of Remittance to GNP	65
4.8	Percentage increase in Remittance	67
4.9	Comparisons of Remittances and Foreign Direct Investment	69
4.10	No. of Remittance to Rural Households	71
4.11	Volume of Remittance to Rural Households	71
4.12	Major Outbound Destinations	75
4.13	Nepalese Foreign Employment Structure As Per Field Survey	76
4.14	Types of Work Nepalese People are Involved	78
4.15	Income Status of Nepalese Workers Abroad	80
4.16	Inward and Outward Remittance	81
4.17	Comparison of Inward Remittance, Export and Import, Foreign Direct Reserve and GDP	83
4.18	Volume of Remitted Funds Per Transfer	87
4.19	Utilization of the Remitted Funds and Saving Status of the Recipients	89
4.20	Monthly Savings of the Recipients	89
4.21	Remittance Received From India and Other Countries	90
4.22	Remittance Received By Developing Countries of the World	91

**A STUDY ON “FOREIGN EMPLOYMENT  
AND INWARD  
REMITTANCE BUSINESS  
IN NEPAL”**



**Submitted By:**

**Mahalaxmi Thapa**

**Pashupati Multiple College, Mitrapark**

**Roll no. 9/062**

**Exam Roll no. 6518**

**T.U. Regd. No. 47405-95**

**A THESIS REPORT**

**Submitted To:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**

**In partial fulfillment of the requirements for the degree of**

**Master of Business Studies (MBS)**

**Kathmandu, Nepal**

**April, 2010**

## DECLARATION

I hereby declare that the work in this thesis entitled, “**A Study on Foreign Employment and Inward Remittance Business in Nepal**” submitted to Pashupati Multiple College, faculty of management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Studies under the supervision of Mr. Gyanmani Adhikari.

.....

Mahalaxmi Thapa

Researcher

T.U. Registration:47405-95

Date:.....

## **RECOMMENDATION**

This is to certify that the thesis:

Submitted by:

**Mahalaxmi Thapa**

Entitled:

**A Study on Foreign Employment and Inward Remittance Business In Nepal**

has been prepared as approved by this campus in the prescribed format of the Faculty of Management. The thesis is forwarded for examination.

.....  
Mr. Gyanmani Adhikari  
(Head of Research Department  
and Thesis Advisor)

.....  
Bishnu Pant  
(Campus Chief)

## **VIVA – VOCE SHEET**

We have conducted the viva – voce sheet examination of the thesis

Submitted by

**Mahalaxmi Thapa**

Entitled

**A Study on Foreign Employment and Inward Remittance Business In Nepal**

and found the thesis to be original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as a partial fulfillment of the requirement for the degree of

**Masters of Business Studies (M.B.S.)**

### **VIVA – VOCE COMMITTEE**

Head of Research Department : .....

Member (Thesis Advisor) : .....

Member (External Expert) : .....





## *Acknowledgement*

I would like to express my gratitude to my Thesis Supervisor Mr.Gyanmani Adhikari, for his support, patience, and encouragement throughout my studies. It is not often that one finds an advisor that always finds the time for listening to the little problems and roadblocks that unavoidably crop up in the course of performing research. His academic and editorial advice was essential to the completion of this project report and has taught me innumerable lessons and insights on the workings of report in general.

I am, with great diligence and ingenuity, also grateful to staff members of Nepal Rastra Bank for helping considerably by providing required information.

I am also very much indebted to the staff of Pashupati Multiple College and Trivbhuvan University Library, for doing me real favour by providing references books, journals and dissertation.

Last, but not the least, I would like to thank my family for their support and encouragement what made this report possible. My parents receive my deepest gratitude and love for their dedication and the many years of support during my graduate studies that provided the foundation for this work.

---

Mahalaxmi Thapa

Pashupati Multiple College, Mitrapark

Date:.....

**Appendix**  
**Questionnaire**

1. Number of Family members here in Nepal  
\_\_\_\_\_
  
2. Number of Family member/s living abroad .  
(a) One      (b) Two      (c) Three      (d) More than Three
  
3. What is your current source of income?  
(a) Agricultural Produce      (b) From Cattle      (c) Service      (d) Remittance
  
4. Age, Educational Qualification & Duration of contract to work.  
Age:  
Educational Qualification:  
Duration of Contract to work:
  
5. Who helped your family member/s with the entire process of going abroad?  
(a) Himself      (b) Manpower Agency      (c) Friend Abroad      (d) Others
  
6. What was the amount paid to the Manpower Agency for all the matters related to going abroad for foreign employment?  
(a) NRs.50000-100000      (b) NRs.100000-150000      (c) NRs.150000-200000  
  
(d) More than NRs. 200000

7. What were the source of expenses incurred while going abroad for Foreign Employment?  
.....
8. Types of work Nepalese People are involved into.  
(a) Labour Class Jobs      (b) Clerical Jobs      (c) Highly Qualified Jobs
9. What is the monthly income of your remitter working abroad.  
(a) Upto 15,000      (b) 15,001 – 30,000      (c) 30,001 – 45,000      (d) 45,001 – 60,000  
(e) Above 60,000
10. How long did it take your remitter to send the first remittance since he left Nepal?  
(a) one month      (b) 2-6 months      (c) 6-12 months      (d) More than a year
11. What are the mostly used mode of transferring of funds from abroad.  
(a) Banks      (b) Paying Agents      (c) Individual Persons      (d) Hundi/Hawalas
12. How often do you receive the funds?  
(a) Every Month      (b) Quarterly      (c) Biannually      (d) Yearly      (e) Not regular
13. Amongst the various available options for receiving your funds where do you prefer receiving your funds?  
(a) Banks      (b) Paying Agents      (c) Individual Persons      (d) Hundis.
14. In what figure range does your remitter send money to you (equivalent NRs.)?  
(a)10000-25000      (b) 25001-50000      (c) 50001-100000      (d) More than 100000
15. What are the areas that you use the remitted fund for?  
(a) Settling Loans & For Basic Needs      (b) Educating Children      (c) Buying

Land/Building

(d) Investing in some productive sectors like cottage industry

16. Are you able to save any money from the remitted funds after have met your basic requirements?

(a) Yes      (b) No

If Yes how much do you save on a monthly basis (equivalent NRs.)

(i) 1000 – 5000      (ii) 5000 – 10000      (iii) 10000 – 25000      (iv) More than 25000

17. Are you aware of any investment opportunities other than Land/Building that you could invest your savings into?

(a) Yes      (b) No

18. Have you invested your savings in any of the big/small scale business?

(a) Yes      (b) No

***THANK YOU***

## BIBLIOGRAPHY

### Books:

- Adhikari, J. (2005). *Remittance Major Factor Behind Poverty Decline*. Kathmandu: Ashmita Books & Stationery.
- Dahal, R. (2000). *Nepal's Remittance Bonanza*. Kathmandu: Himal South Asia Magazine.
- Dahal, R. (2006). *Nepal's Remittance Bonanza*. Kathmandu: Ashmita Books & Stationery.
- Gaudel, Y.S. (2004). *Remittance Income in Nepal: Need for Economic Development*: Kathmandu: M.K. Publishers and Distributors.
- Gurung, G. (2006). *Sending Money Home: Worldwide Remittance Flows to Developing Countries*. Kathmandu: Shyam Pustak Bhandar.
- Kathleen, N. (2003). *Migration as a Factor in Development and Poverty Reduction* New York: Migration Policy Institute.
- Seddon, D., Adhikari, J., and Gurung, G. (2006). *Foreign Labor Migration and The Remittance Economy of Nepal*. Kathmandu: M.K. Publishers & Distributors.

### Journals, Articles and Magazines

- Adams, H.R. (2003). *International Migration Remittances and the Brain Drain*. Geneva: ILO.
- Adhikari, J.B. (2007). *Remittance Income, economic Development and Foreign Employment Management*. (NRB).
- Boss- KFA Research Team, (2006): *Remittance Driving the Economy*. Kathmandu: Boss Magazine.
- Elizabeth, M.(2004). *Report on the ILO Sub-regional Training Workshop on Labour Migration Policy and Management*. Geneva: ILO.
- Ferrari, A. (2007). *Access to Financial Services in Nepal*: Kathmandu: New Business Age.
- GEFONT (1998). *GEFONT and the Migrant Workers*, (Kathmandu: GEFONT Resource Centre)
- Glinskaya, Elena; Bontch- Osmolovski, Mikhail and Lokshin, Michael (2005): *Work-related Migration and Poverty Reduction in Nepal*: Kathmandu: The Rising Nepal.

- Gurung, G. (2002). *Patterns in Foreign Employment and Vulnerability of Migrant Workers* (Kathmandu: NIDS).
- Gurung, G. (2005): *Remittance*: Kathmandu: Himalayan Times.
- Gurung, G. and David S. (2003). *New Lahures*. Kathmandu: NIDS.
- HMG/Nepal (1999). *National Labour Policy*. Kathmandu: Available at [www.labournepal.org](http://www.labournepal.org))
- HMG/Nepal, 1985, *Foreign Employment Act-2042*. Kathmandu: Available at [www.labournepal.org](http://www.labournepal.org) )
- Human Rights Watch (1995). *Trafficking of Nepali Girls and Women to India's Brothels*. Washington D.C.: Human Rights Watch.
- ILO (2002). *Report of Tripartite Forum on Labour Migration in Southern Africa Pretoria* Geneva: ILO.
- ILO (2003). *Challenges to Labour Migration Policy and Management in Asia*. Geneva: ILO.
- ILO (2003). *Draft Summary of Conclusions of ILO Regional Tripartite Meeting on Challenges to Labour Migration Policy and Management in Asia*. Bangkok: ILO Regional Office.
- ILO-DFID (2002). *Managing Foreign Employment in Nepal: Issues, Challenges and Strategies*. Kathmandu: An Unpublished Advisory Report.
- IOM (2003). *International Labour Migration: Trends and IOM Policy and Programmes* Geneva: IOM, MC/INF/264.
- IOM (2004). *International Migration Vol. 42(5)* (Geneva: IOM)
- K.C. B.K. (2003). *Migration, Poverty and Development in Nepal*. Bangkok: ESCAP.
- Karna, S.K. (2007). *Remittance Economy of Nepal*. Kathmandu: The Rising Nepal.
- Katz, R. (2006). *Diasporas for Development: The Remittance Platform*. Kathmandu: The Rising Nepal.
- Kollmair, M., Manandhar, S., Subedi, B. & Thieme, S. (2006). *New Figures for Old Stories: Migration and Remittances in Nepal*. BOSS Magazine.
- Marwan, M.M. (2003). *Asian Migration Trail*. IPS.: Bangkok, Ministry for Labour and Transport Management, Labour and Employment Promotion Department, 2003, *Labour Market Information Bulletin, Year 2. No. 2*, Kathmandu: Labour and Employment Promotion Department.

- Parajuli, M. (13 April 2004). *Baideshik Rojgar Ma Mahila*. Kathmandu: Kantipur National Daily.
- Rimal, B. (2004). *Migrant Workers a Snap Shot*. General Federation of Nepalese Trade Unions (GEOFONT) Kathmandu.
- Seddon, D. (2005). *Nepal's Dependence on Exporting Labor*. Kathmandu: The Rising Nepal.
- Seddon, David of University of East Anglina (2005). *Remittance Economy*. Kathmandu: The Himalayan Times.
- Sharon, S.R. (2002). *International Migration: Implications for the World Bank*, Manila: World Bank.
- Singh, P.M. (2005): *Remittance Economy*. Himal South Asian Magazine.
- UN (1990). *International Convention on the Protection of the Right of the Migrants Workers and Members of their Families* (New York: available at [www.un.org](http://www.un.org))
- UN (2002). *International Migration Report*, (Geneva: UN)
- UNIFEM & Sancharica Samuha (2003). *Foreign Employment for Women: Challenges and Opportunities*. Kathmandu: Sancharica Samuha.
- UNIFEM, SAMANATA & HMG/Nepal (2002), *Policies, Service Mechanisms and Issues of Nepali Migrant Women Workers: A Rapid Social Investigation* (Kathmandu: UNIFEM)
- Wicramasekara, P. (2002). *Perspective on Labour Migration, Policy responses to skilled migration: Retention Return and Circulation* (Geneva: ILO).
- Sharma, Yadhav (2006). *Remittance Income in Nepal: Need for Economic Development*.
- Prof. Khatri, Sridhar (2007). *Contribution of Remittance in Poverty Alleviation and Employment*.
- Pant, Bhubanesh (2008). *Moblizing Remittances for Productive Use* (NRB).

### **Thesis and Reports (Published and Unpublished)**

- Baruah, N. (2006). *Remittances to Least Developed Countries (LDCs): Issues, Policies, Practices and Enhancing the Development Impact*. An Unpublished Report, Kathmandu
- Bhattarai, P. (October, 2005). *Migration of Nepalese Youth for Foreign Employment: Problems and Prospects*. A review of Existing Government Policies and Programmes. Youth Action Nepal, Kathmandu.



ILO – DFID, (2002). *Managing Foreign Employment in Nepal: Issues, Challenges and Strategies*. An unpublished advisory report, Kathmandu.

Kansakar, V.B.S. (July, 1982). *Emigration, Remittances and Rural Development*. Centre for Economic Development and Administration (CEDA), Research Department, Tribhuvan University, Kathmandu, Nepal.

Khatriwada, P.P. (2001). *Cause and Consequences of International Migration in Nepal*. An unpublished dissertation submitted to Central Department of Population Studies (CDPS), Kathmandu.

Seddon, D., Adhikari, J. & Gurung, G. (2001). *Foreign Labour Migration and the Remittance Economy of Nepal*. A Report to DFID, Kathmandu. Overseas Development Group, University of East Anglia, Norwich.

### **Web Sources**

<http://www.apwld.org/vol143-04htm>

[http://www.compas.ox.ac.uk/research/migration\\_management.shtml](http://www.compas.ox.ac.uk/research/migration_management.shtml)

<http://www.gorkhapatra.org.np/pageloader.php?file=2005/011311/topstories/main1>

<http://www.let.leidenuniv.nl/history/migration/chapter3.html>

<http://www.mapmigrant.org/>

<http://www.migrationinformation.org/profiles/print.cfm?ID=277>

<http://www.unhcr.ch/html/menu6/2/fs24.htm>

[www.google.com.np](http://www.google.com.np)

[www.himalmag.com](http://www.himalmag.com)

[www.ifad.org/events/remittances/maps](http://www.ifad.org/events/remittances/maps)

[www.kantipuronline.com](http://www.kantipuronline.com)

[www.labournepal.org/issues/migrant\\_labour/migrant\\_labour\\_snapshot.htm](http://www.labournepal.org/issues/migrant_labour/migrant_labour_snapshot.htm)

[www.nepalbiznews.com](http://www.nepalbiznews.com)

[www.newbusinessage.com](http://www.newbusinessage.com)

[www.nrb.org.np](http://www.nrb.org.np)

[www.prabhumoneyrenit.com](http://www.prabhumoneyrenit.com)

[www.rojgarayog.gov.np/ims](http://www.rojgarayog.gov.np/ims)

[www.thamelremit.com](http://www.thamelremit.com)

[www.thehimalayantimes.com](http://www.thehimalayantimes.com)

## Appendix Questionnaire

1. Number of Family members here in Nepal  
.....
  
2. Number of Family member/s living abroad .  
(a) One      (b) Two      (c) Three      (d) More than Three
  
3. What is your current source of income?  
(a) Agricultural Produce      (b) From Cattle      (c) Service      (d) Remittance
  
4. Age, Educational Qualification & Duration of contract to work.  
Age:  
Educational Qualification:  
Duration of Contract to work:
  
5. Who helped your family member/s with the entire process of going abroad?  
(a) Himself    (b) Manpower Agency      (c) Friend Abroad    (d) Others
  
6. What was the amount paid to the Manpower Agency for all the matters related to going abroad for foreign employment?  
(a) NRs.50000-100000      (b) NRs.100000-150000      (c) NRs.150000-200000  
  
(d) More than NRs. 200000
  
7. What were the source of expenses incurred while going abroad for Foreign Employment?  
.....

8. Types of work Nepalese People are involved into.  
(a) Labour Class Jobs      (b) Clerical Jobs      (c) Highly Qualified Jobs
9. What is the monthly income of your remitter working abroad.  
(a) Upto 15,000      (b) 15,001 – 30,000      (c) 30,001 – 45,000      (d) 45,001 – 60,000  
(e) Above 60,000
10. How long did it take your remitter to send the first remittance since he left Nepal?  
(a) one month      (b) 2-6 months      (c) 6-12 months      (d) More than a year
11. What are the mostly used mode of transferring of funds from abroad.  
(a) Banks      (b) Paying Agents      (c) Individual Persons      (d) Hundi/Hawalas
12. How often do you receive the funds?  
(a) Every Month      (b) Quarterly      (c) Biannually      (d) Yearly      (e) Not regular
13. Amongst the various available options for receiving your funds where do you prefer receiving your funds?  
(a) Banks      (b) Paying Agents      (c) Individual Persons      (d) Hundis.
14. In what figure range does your remitter send money to you (equivalent NRs.)?  
(a) 10000-25000      (b) 25001-50000      (c) 50001-100000      (d) More than 100000
15. What are the areas that you use the remitted fund for?  
(a) Settling Loans & For Basic Needs      (b) Educating Children  
(c) Buying Land/Building      (d) Investing in some productive sectors like cottage industry
16. Are you able to save any money from the remitted funds after have met your basic requirements?  
(a) Yes      (b) No  
If Yes how much do you save on a monthly basis (equivalent NRs.)  
(i) 1000 – 5000      (ii) 5000 – 10000      (iii) 10000 – 25000      (iv) More than 25000

17. Are you aware of any investment opportunities other than Land/Building that you could invest your savings into?

(a) Yes      (b) No

18. Have you invested your savings in any of the big/small scale business?

(a) Yes      (b) No

**Thank You !**