

CHAPTER –I

INTRODUCTION

1.1 General Background

The process of sending back money to remove an obligation may also be defined as remittance. The term also refers to the amount of money being sent to remove the obligation (NRB, 2010). “Remittance is a sum of money that you send as payment for something” (BBC Dictionary, 1994).

Remittances are not a new phenomenon in the world being a normal affiliated to migration which has over been a part of human history. In case Several European countries for example Spain, Italy and Ireland were heavily dependent on remittance received from their emigrants during the nineteenth and twentieth century. All of those countries created policies on remittances developed after significant research effort in the field. For instances, Italy was the first country in the world to enact a law to protect remittance in 1901 while Spain was the first country to sign on international treaty with Argentina in 1960 to lower the cost of the remittance received.

Foreign labor migration is not a recent phenomenon in Nepal. For about 200 years Nepali men, and to lesser extent women, have been leaving their homes to seek employment abroad. But both the scale and the nature of migration have changed significantly over that period.

From unification of Nepal by Prithivi Narayan Shah to Rana regime Nepali people want to work in various places of India. Many Nepalese had gone India to work in coal mines, guard in richest people’s building and other house hold works. Some of them returned back but most of them settled there. In the beginning stage of migrant and they come back to their mother land they sent and brought money. But it is not recognize as remittance. India goes unrecorded Nepali worker. So the first source of remittance of Nepal is that

amount comes from British Army. After that second remittance source of Nepal is that amount which comes from India through Nepalese people employed in India army. But actual period or amount of remittance is not record properly due to the insignificant role or unidentified role of remittance amount in early period.

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 the Middle East Asia (Singh, 2006), although Nepal was a late entry in taking advantage of labour demands. The more formal and temporary migration began after people started to work in British army following the Sugauli Treaty that was signed on December 2, 1815. This Treaty permitted British Gurkhas for military service. In recent time the scope for out–migration for military services has declined and more and more people have migrated for other types of jobs. It was only after the 1990s that policy makers and academicians began to fully acknowledge the importance of remittances send by Nepalese employed abroad for enhancing the livelihoods of the households, including those in rural regions (Pant, 2006). Nepalese had fled from excessive taxation, compulsory and unpaid forced systems and fear of land appropriation by state authorities during and after the unification of the country. The large part a migration triggered by ‘push factors’ associated with the harsh socio-economic conditions and feudal agrarian conditions where the exploitation of tenant-cultivators was a consequence of the expansion of the state (UNIFEM & NIDS, 2006). The pace of the foreign employment increased dramatically after 1996 due to shrinkage of economic opportunities in the country. The massive unemployment inside the country is the main reason behind the rapid growth of the workers migration to the other countries.

Most of the migrated people are from the rural sector of Nepal but due to the lack of the banking facilities in the rural areas, they are sending their earnings from the informal mediums up to now.

According to the data provided by the Labor and Employment Promotion Department (2010) up to the date the total of 16 lakh 20 thousand three hundred and 70 people are migrated for work about 5,19,145 people are migrated to Malaysia, about 4,65,289 people to Qatar, about 3,21,063 to Saudi Arabia, 2,05,537 to UAE, 22,376 to Kuwait and rest of the people, are migrated to the other countries. Even though before 2050 B.S. also Nepalese people were migrated to the other countries but the actual data of that period is not available to the government

The contribution of remittance income is increasing every year. The total contribution of remittance income in total is 21.20 percent of total GDP (Gross Domestic Product) now increasing from 17.50 percent of 2010. According to NRB, due to increasing trend in foreign employment and the decreasing trend of export the contribution of remittance is increasing.

According to NRB the total of Rs.209.7 billion is entered from the formal medium of money transfer in the FY 2068/69. In the first seven months of year 2069/70, about 124.30 billion rupees is entered into the country as a remittance income which is larger than the same time limit of the previous year.

In this present situation remittance is playing vital role to reduce poverty level of Nepal. Especially in rural areas where there is no other opportunities to earn and get employment without agricultural sector. But due to the lack of proper government policy to encourage the remittance income in the productive sectors almost 80 percent of the remittance money is used in the unproductive sectors like house building, land buying and other luxurious goods. The people are migrated to other countries for work and earn money, which certainly helps to reduce poverty level of rural areas.

The major portion of the remittance is used for meeting household consumption and paying off loans borrowed to go abroad. Use of remittance

for the improvement of the living standard is referred to by several studies. Improvement in living standard includes housing improvement; higher expenditure on food, on personal items, domestic equipment and other consumer durable.

Remittances have relaxed the foreign exchange constraints of the country and strengthened its balance of payment (BOP) position. Mostly remittance is used for basic subsistence needs and for daily needs such as food, clothing and housing. These three components make up a significant portion of the income of the recipients household. At an individual level remittances increases the income and reduce the poverty of the recipient's. Generally in the developing countries only a small percentage of remittances are used for saving and used as productive investment such as income and employment generating activities as buying land or tools, starting a business and other activities. However the money spent on better education of the children and health is believed to have a favorable effect on growth, which tends to help in output production. At the macro economic level remittance provide significant sources of foreign currency and contribution to the balance of payment. If remittance income increases, it increases the level of consumption which is the cause of low level of saving. But increase in consumption is not always harmful for the economy, because increase in consumption of domestic product helps to expand the market which positively affects the economy. On the other, if consumption expenditure is made wholly on the imported goods & services, it may increase BOP deficit.

1.2 Statement of the Problem

In this twenty first century, the age of globalization remittance has become a cornerstone of development for any developing country. The magnitude may differ but the role of the remittance to the development can't be denied. The developing countries in this age can't even take a foot path ahead without external assistance like remittance and the foreign aid. In case of

Nepal, in this present situation of post war the one and only source of economic stabilization and growth rate maintenance is remittance income. According to economic survey 2013/14 Nepal's per capita income is increased to US \$ 642 from US \$ 735. Which is only due to the increasing trend of remittance income?

In rural areas we can find that most of the lower and middle class families are drowned in debt. If any member of that family is migrated to other countries its debt is comparatively less than other families and after sometime that family overcome the debt and starts to save and increase the level of consumption. Therefore research problems are as follows:

- a. What is the pattern of remittances inflow in the study area?
- b. What is the impact of remittances on the consumption in the study area?

1.3 Objectives of the Study

The main objective of the study is to analyze the role of remittance in consumption pattern of the study area. Besides this, the specific objectives of this study are as follows.

- a. To examine the pattern of remittance inflow in the study area.
- b. To analyze the impact of remittance on consumption in the study area.
- c. To recommend the appropriate policy to policy maker.

1.4 Justification of the Study

Since many years, foreign employment rate is increasing, but most of unskilled labor had gone to foreign land. Nepalese labor forces seeking foreign employment having very low level of technical education and formal training. They are compelled involve in 3D (difficult, dirty and dangerous) work in foreign country. But slowly they increase the level of income compare with the

domestic employed. Nowadays the Nepalese economy is facing BOP deficit problem. So here the researcher trying to find out, Is the increase in level of income from remittance affects the level of consumption? Is all the remittance income is spent on consumption? Or some amount is saved and invests. So it is more significance to explore the impact of remittance on consumption.

Remittances can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption, poverty and income distribution. Remittances have been crucial in reducing poverty levels in rural Nepal. Like in the other countries of the world, a large portion of remittance has been utilized in Nepal for consumption purposes, purchase of real estate and house, paying off the loan, purchase of jewelry and as bank deposits (NRB, 2002). Thus, real growth of the economy has not been realized yet due to the remittance flow. Experts still argue, remittance money only supports direct consumption that - very little is actually diverted to development oriented and job-creating investments.

Several studies have been carried out on the impact of remittance on consumption to the rural and urban areas in Nepal. This study is based on the observation of consumption pattern of a particular VDC. No significant study has been carried out on the consumption pattern of study area. Therefore this study tries to bring into highlight the consumption pattern of remittance receiver in study area.

1.5 Limitation of the Study

The study has following limitations:

- i. The present analysis is concentrated in a particular area of Jubhung VDC, Gulmi District to determine the consumption as well as the amount of remittance inflow only.

- ii. Income and consumption of transitory nature are excluded.
- iii. This study is based on sample size of study area. It may not be helpful to make general conclusions.
- iv. Price of all commodities is calculated on the current price.
- v. Due to unavailability of data, the remittance received from India has not been included in the study.
- vi. This study is concern with the workers remittance only.

CHAPTER –II

REVIEW OF LITERATURE

Remittance has emerged over the last two decades as a prominent feature of the Nepalese economy although unjustifiably neglected previously. The number of recent studies has contributed in bringing this topic increasingly into both public and academic debates. The literature review will group into theoretical base of labor migration and remittance, historical perspective of foreign employment in Nepal, impact of emigration in the economy, destination of employment and extant of employment in foreign countries, use and effects of remittance on consumption.

In this chapter of literature review various theories, principles, journals, articles and other related materials with this topic are reviewed here.

2.1 Review of Theoretical Literatures

The decision to migrate is the outcome of human psychology and behavior. Any universal and uniform law can't define human behavior but many studies relating to migration have tried to find out some pattern and order in migration decision of an individual.

Todaro (1976), states that migration is stimulated primarily by rational economic consideration of relative benefit which are mostly financial. Decision to migrate is influenced by the difference between expected income between two places, the odds, probability of getting job in new area is inversely related to unemployment rate in the new area.

Lewis (1984), distinguishes subsistence sector and developed sector within the economy. The first is agro-based, underdeveloped or rural area and second is industrial, developed, urban territory. The prime reason for migration is due to wage differences. Unlimited supply of labor force prevailing at low

wage rate are attracted into industrial sector until subsistence sector i.e. migration exists whenever wage differential exists and elimination of such differential causes to end labor mobility.

Ravenstein (1885), was the first person to attempt forming migration theory. Ravenstein's "laws of migration" is also known as, push-pull factors of migration; still predominates as framework of migration analysis. Push factors are land tenure system, unfavorable form of trade, wide dispersion of poverty and income, pressure of rural poverty in income; pressure of rural poverty in general and so on. Pulls factors are employment, education and other facilities are opportunities known as bright light of the towns. On the one hand push factors push the migrants from their place of origin and on the other hand pull factors pull the migration to the place of destination.

Elbadwi, and Rocha (1992), synthesized the old researches in two categories: endogenous migration and international workers' remittance concerns the income differential and wage rate between two place, there is 'required' level of remittance which must be equal to average income of family and community, on the other hand portfolio approach to international workers' remittance suggests volume of remittance depend upon decision whether to save in host country or remit to the home country. The volume of remittances is affected by relative rate of return of interest rate, foreign exchange, real estate values and rate of inflation and difference in the black market exchange rate and official exchange rate. The first approach considers income and demographic variables as the main determinant and economic policy influences less and so it is long run analysis, and second insists on macro economic policies, economic and social environment for higher remittance and short run treatment.

Chaudhary (1993), has quoted five different researches and conducted their common idea that, propensity to remit of all migrants and proportion of remittance is equal and depends on the types of work received abroad, level of

education of migrants, marital status, origin of migrant rural or urban. The proportion of income remitted is more or less same of all types of migrants, but the amount of remittance certainly is not equal. He concludes that first, initial consumption pattern largely affect the use of it. If the recipient is below the poverty line his/her elasticity of demand on necessary thing is high, i.e. it encourages local consumption expenditure. If he/she is above the poverty line; it makes him/her rise in income status, so consumption pattern shifts to goods for facility and luxury. Secondly, expenditure of remittance in receiving household depends upon availability of desired commodities or services too. If they are not available they lead to establish wholesale and retail unit. Thirdly, the use of remittance depends on propensity to save and it is affected by level of income and ceremonial duties like marriage. If they are high one's propensity to invest reduce. The fourth element proposed by Chaudhari that affects the use is value system and attitude towards different types of occupation.

2.2 International Context

Castaldo, and Reilly (2009), analysis using data drawn from the 2002 Albania Living Standards Measurement Survey to investigate whether the receipt of migrant remittances has an effect on the consumption patterns of recipient households or not. They also test whether the receipt of remittances from a migrant within Albania has the same effect on consumption behavior as the receipt of remittances from abroad. They estimate budget share equations for four broadly defined categories controlling for a number of variables including those capturing whether or not the household receives remittances from within Albania or abroad. The four categories of commodity considered are food, non-food, durables and utilities. The estimated coefficient corresponding to the variable capturing the receipt of internal remittances is not statistically significant in any of the reported budget share equations. In contrast, the estimated effect for the receipt of international remittances is

found to be statistically significant for all categories except non-food. Their estimates suggest that compared to those households which receive no remittances at all, the average budget share of expenditure on food for households in receipt of external remittances is 4.50 percent lower, *ceteris paribus* the receipt of an external remittance.

Ponce, Iliana and Mercedes (2008), analyzes on education and health indicators, as well on some other consumption variables. Although they find positive impacts on consumption, and on education and health expenditures, they find no significant results on education and health outcomes. Regarding education, they find that children receiving remittances have a higher probability of attending private schools. In relation to health, people receiving remittances buy more medicines and likely have more complete medical treatment in case of illness. To create an exogenous source of identification the paper uses a new and rich data set.

2.3 National Context

ILO (2002), mentioned Nepal has also long history of international labour migration. Around 200 year ago, Nepalese started to seek work abroad and send remittances back to their families in Nepal. In early 19th century, for instance, the first men migrated to Lahore (in today's Pakistan) to join the army of Sikh ruler, Ranjit Singh. They earned the nickname "Lahure" which is still used today for Nepalese employed in foreign armies abroad. In 1815/1816, the first British army of India and were then and still are called "Gurkhas". Since then, international labour migration of Nepalese has never ceased. Especially in the recent decades, it has greatly increased and diversified in pattern.

NRB (2006), found that the main problems of the Foreign employment are lack of Proper technical as well as the practical knowledge about the works which he/she had to perform in that countries, lack of required information and the help from the manpower agencies, problem of languages, culture and

habitual activities, lack of the safe and reliable financial institutions to send money from abroad, lack of required social as well as economic equalities between the local workers and the Nepalese migrated workers, the problem of Capital loans and management of that capital which is required for the processing and the tickets for foreign employment apart from those after reaching to the destination countries the Nepalese workers are facing so many problems like not getting that proper work which was promised in Nepal, retirements before the agreement time, not getting the salary in time, unnecessary reduce in the salary, not getting the minimum wage level also, not getting bonus and other facilities available from the company, extended work time without extra salary or over time salary etc.

Pant (2006), Remittances are potentially important stimuli to economic growth. Despite the lack of accurate data on the real volume of funds transferred, there is ample evidence that remittance flows are substantial, stable relative to other forms of development finance, and well-targeted to vulnerable families, both as support during a crisis and as an income-smoothing mechanism. In Nepal, during the last few years, remittances have been an important avenue of support for family members remaining at home. As the number of workers going abroad for employment continues to rise, the corresponding growth of remittances has become a critical flow of foreign currency into Nepal. This has been partly the result of measures undertaken by the concerned officials to streamline financial systems, dismantling controls and creating incentives, with the aim of attracting remittances particularly through the official channels. Economic growth, interest rate and exchange rate policies are crucial determinants of remittance inflows. In order to further encourage the inflow of remittances to the country through official channels, and to promote the tendency to exchange these remittances of foreign exchange into local currency, it is imperative that these policies be conducive to the inflow of remittances.

Shrestha (2006), concluded that the role of remittance for a underdeveloped country is very significant. The government need not invest huge amount for the development of foreign employment but the government must make appropriate policy for the protection and make sustainable to this sector. Worldwide scenario of remittance is very significant, India, China, Mexico, Haiti, Phillipince and so on are example of it. In the context of Nepal this is a very important component on balance of payment. The trade deficit of Nepal is tremendously high and the remittance is fulfilling it during the last ten years. Its ratio on GDP of Nepal is more than 20 percent point in recent Fiscal Year. The concept of diaspora bond is very useful for the government as well as workers, but the implementation part of it is delayed due to the undecided of modality. The political instability is also one of the causes for the indecisive to implementation of the Diaspora bond.

Nepal (2010), quoted that young boys lose their productivity after returning back, young ladies lose their not only social status but also each and every things and on the other hand children of remittance receiving families often grow up without the benefit of close contact with both parents and the entire family's stress level is heightened by the absence of one or more members. The social and cultural fragmentation also grows due to the foreign employment, for example if the husband goes to foreign employment and wife left the joint family, and she use to live in urban city. When she starts to live in urban city the demonstration effects drive her interest toward consumptions and she forget social and families ' restrictions. Nowadays the numbers of divorce registered in courts with related in foreign employment has increasing. Those cases shows that the social crime also increase through the foreign employment. Those factors make the pursuit of remittance a costly, risky investment for families and society. Thus, the role of remittance for nation is very significant, but there are not only benefit but also many risk are containing there those are burden for family, society and nation.

2.4. Destination of Employment and Extant of Employment in Foreign Countries.

Karki (2006), has tried to identify the past trend of foreign employment and remittance of Nepal, socio-economic characters of foreign employees, sources of financing and cost for foreign employment, change brought by foreign employment and remittance in household economy and uses of remittance. Since most of the migrant workers have gone Gulf countries and Malaysia so these destinations are congested area of the Nepalese workers. Thus MPAs, agent and employed company have been cheated to maximum workers. On the other hand the workers of these destinations cannot earn much more money than other destinations, like Japan, Hong Kong, Korea. So the ministry of labor and transport management Government of Nepal should make new policy to identify new potential destination and create opportunities to go these destinations. Where the workers will earn more money. Nepalese economy has received large amount of remittance but remittances are still being transferred through informal channels. Formal channels should be promoted. At least one formal institution must establish to facilitate transfer remittance in each destination. Remittances have given positive impact on household economic indicators but this is not satisfactory. Maximum parts of the remittances have been used household expenses like loan repayment, house improvement and social spending. Thus the policy should be made to give more information to the respondents unusing their remittance into productive sector and should be given more opportunities to them in using their newly learnt skill. The main conclusion of this paper is that remittances do not have a significant impact on long-term human development outcome variables.

This result is supported by the impact evaluation carried out in section three. In the first place, remittances have no impact on education and health performance indicators. They do, however, have an impact on consumption and, more precisely, on education and health expenditures. Secondly, we find

significant effects of remittances on the transfer of children from public to private schools, although performance indicators of private schools register only slightly better than those of the public system. Thirdly, we find that people receiving remittances purchase more medicines and are more likely to undergo complete medical treatment when sick than those not receiving remittances. Overall, this could mean that remittances have a positive and significant effect on reducing short-term poverty, but no effect on expanding people's long-term capabilities.

2.5 Use and Impact of remittance

Arter (2009), has shown in a multi-regression worldwide country panel that that 10 percent increase in remittances can reduce poverty by 2.3 percent. Further the Remittances could be an essential key for the economical lift off in a country like Nepal. It is, however, crucial that remittances are invested in a smart way and that rising inequality can be stopped. Otherwise social tensions may arise. With the use of the NRF he showed a possible solution how remittances can have a deeper impact on future economic development. In the long run, Nepal should have the goal that people are not forced to leave their country any more. Many of them cannot see their family and friends for a couple of years, suffer from bad working conditions and receive very low wages. Unfortunately, the governments in developing countries such as Nepal are too weak and do not have a powerful position in negotiations with other governments to improve these conditions for their citizens abroad.

According to CBS (1996), 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. Remittances from the other 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.

CBS (2004), The proportion of households receiving remittance has increased from 23 percent in 1995/96 to 32 percent in 2003/04. Average amount of transfer earnings per recipient household has more than doubled in nominal terms in the same period. Other significant change is in the share of these remittances by sources: within Nepal and from other countries including the Gulf account for more than half of the share. For those households with positive remittance earnings, their share in total income has increased from 27 to 35 percent. Overall, total amount of remittance received has increased from about 13 billion NRs. to more than 46 billion NRs. In nominal terms, while per capita remittance for the entire country has more than tripled in nominal terms between two rounds of NLSS.

Rural households have higher proportion of recipients relative to their urban counterparts. In particular, 40 percent of households in rural West Mountains/ Hills receive transfer income. The average income transfer in the form of remittance is Rs. 34,698 (in current prices) per recipient household in 2003/04. Among development regions, the amount is the highest in the West (Rs.45,805) and the lowest in the Far-West (Rs.15,679). The difference between urban and rural is more than twice (Rs. 68,981 versus Rs. 29,530). The amount in Kathmandu valley urban is even higher (Rs. 118,998). Disparity among consumption groups is very severe: Rs. 65,514 for the richest quintile versus Rs. 13,906 for the poorest quintile.

Pant (2006), concluded that International labor migration is an intricate issues, emanating from a combination of push and pull factors, including poverty, unemployment, demand of the labor 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. In Nepal's case, one of the country's major exports is labor, and most rural households now depend on at least one member's earnings from employment away from home. Nepalese

worker have sought foreign employment as 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.

Adhikari (2011), concluded that recent patterns of international migration from Nepal and concludes that migration has generally increased over the years but remittance income has not increased as increased in volume of migration. One of the primary reasons behind this is that the choice of the country for foreign employment is not based on wage rate. Migrant remittances generally reduce the proportion of the population in poverty, but the future sustainability of remittance flows is in doubt in the country because of lack of channel to transfer temporary income to permanent income. Existing foreign employment policies and strategies do not pay sufficient attention to the issue of international migration and there is a need for institutional strengthening to address this. There is also a need to develop a research network and strategy for the region to assist planners to better understand the implications of migration patterns and to formulate appropriate policy response. The government needs to pay attention on how to create an institutional framework to better manage international migration and to maximize the benefits from migration process and mitigate the costs.

Mainalee (2008), in her dissertation has made an attempt to estimate the angle of expenditure on different goods for each of this development center. Further with pooled data, she tried to estimate the MPC for the country as a whole. Main source of data for the research work was the household budget survey published by the Nepal Rastra Bank. To explain the total consumption of the four development center, she has taken the expenditure level as a dependent variable. She has used the model; $C/H = a + B Y/H$.

Where, $C/H =$ per capita household consumption expenditure.

Y/H = per capita household income expenditure.

a and B are constant.

T-test, chi-square test, F-test has used.

Budget allocation for food and other expenditure indicates that higher percentage of expenditure is made on food expenditure and these percentages decreases as the expenditure level increased. In her study hypothesis testing shows that there is statistically significant difference between the mean percentage of total for food expenditure between Kathmandu and other three development center.

She found that higher proportion of expenditure is devoted towards habituated and customary expenditure rather than towards on man power. She found MPC 1.25, 0.91, 1.14, and 0.95 of Dhankuta, Kathmandu, Pokhara and Surkhet respectively. In two cases the MPC has come more than the unity. This is because of the cross sectional data or a particular point of time.

The findings show that, the MPC is high almost equal to unity and as higher proportion of expenditure. But as a level of expenditure increases the expenditure pattern deviates from food expenditure towards other goods and services. The general tendency tends towards conspicuous consumption.

On the basis of various related literature can give conclusion that foreign employment and remittance is one important component of national economy. They have focused that migration happens due to push and pull factors. So people are migrating one country to another country. Foreign employment helps to enter large amount of remittance into national economy. Remittance have positive impact on national economy as well as household economic conduction. So every nation should have given more priority to these issues recently. However, there haven't been studies regarding a comparative study done on foreign employment and remittance and its impact in Jubhung VDC.

This micro level study aims to fulfill gap of knowledge of volume, trends socio economic status, causes and consequences of foreign employment and remittance at the study areas.

CHAPTER –III

METHODOLOGY

The methodology section of this study has been divided into eleven different sections. The sections are map of study area, location of the study area, research design, sample design and sample size, data collection and data processing.

3.1 Research Design

This study is descriptive in nature. It is mainly based on the study of impact of remittance income on consumption pattern. This study is designed to meet above mentioned objectives of the use and effect of remittance income on consumption.

This is a case study of Jubhung VDC. It is a micro level study. This is an analytical as well as descriptive type of research design. The unit of information is house hold and type of data collection for the study area is cross-sectional. The descriptive type of research design is used to analyze facts more meaningful and in useful way.

3.2 About Study Area

The study area of this research is the Jubhung VDC of Gulmi district. It is one among the 79 village development committee which lies 20 kilometers east from the district headquarter Tamghas. Jubhung VDC is divided into 9 wards. There are 934 households consisting 4415 total population.

It is the hilly region. The east part of this VDC is bordered by Rupakot west by Pallikot north and south by Tamghas and Hunga VDC respectively. Jubhung is terraced hilly land. There is Rudramati River (Badighat) passing through middle part of the district. This VDC is edge of this river. There is not any jungle and parks inside this VDC.

The main crops of this VDC are rice, wheat, corn and some cash crops are ginger, tea etc. Jubhung is linked by gravel road from district headquarter connecting Tamghas. This VDC has facilitated by road, electricity, cable line and telephone. Agriculture is the main profession of this VDC.

3.4 Sample Selection Procedure

The targeted population of the study includes those households residing at Jubhung VDC. But it is almost impossible to have study of whole household. Therefore this study is confined in such area's household which is selected by simple random sampling and the head of the household is assumed as a respondent.

From the 934 total households in the study area, about 10 percent households is selected using proportional to size with random sampling method. In order to make the study meaningful as well as advanced, within the limited time period a larger sample size was not feasible. The strata are the nine wards of the VDC; the selection of sample households in each ward is made proportional to the size basis. The sample selection process has been shown in the table 3.1.

Table 3.1: Number of sample households from each ward

Ward No.	Total Number of household	Number of sampled household
1	91	9
2	105	10
3	115	12
4	99	10
5	108	11
6	95	9
7	106	10
8	115	12
9	100	10
Total	934	93

Source: Field Survey, 2013

3.6 Nature and Source of Data

This study is based on the quantitative nature of data. Information has collected from primary and secondary sources. For collections of primary data, the interview and observation method has used. Household head in the study area are taken as respondent. Secondary data is collected from published/unpublished literature, office records, books, CBS, library and previous dissertation related with this study.

3.7 Methods of Data Collection

As this study is field research based, both primary and secondary type of data has been used. The required secondary data was collected from the CBS and other concerned office. The relevant data was collected in the form of primary data using the tool like questionnaire, interview (personal and group).

The question containing in questionnaire was asked to the head of the family (if the head is absent then next member of the household was interviewed). A simple procedure was used to fill up the structured questionnaire. In the questionnaire various sources of income such as income from agricultural production, services, wages, interests, etc. are considered on the income side and the consumption of foods, clothing, education, medical care, footwear etc, are considered on the consumption side. A structured questionnaire was prepared before going to field survey to capture the information enough to fulfill the objectives of the research study.

3.8 Data Processing

After the completion of field work, all the information obtained is presented in a well managed table. These data are tabulated manually by using cross tabulation. Data processing is done with help of calculator. Various measures are used to analyze the data to avoid the chance of some mistake and various statistical tools which help to analyze the data are used to reach the proper and reasonable decision.

3.9 Description of the Variable

In this study all food items includes varieties of food grains, pulses, milks etc. All non-food items include alcohol and tobacco, clothing, education, health and sanitation, fuel and light, other non-food (transportation tax etc). Ceremonial consumption includes expenses of household for marriage different social activities, expenses in festivals etc. independent variable are chosen on the basis of major factor affecting to consumption expenditure such as income from different sources.

Some variables have selected for the study which are given below:

Income: Inflow of money, goods, or service to any economic unit is income or return for human effort, as in the earnings of labor and the earnings of management; in this case any cash money received from remittance income and

non remittance income is defined as income. Non remittance income includes income except remittance like agriculture, industry, business profit, pension, salaries, and wages.

Expenditure: In this study expenditure refers consumption expenditure on food items, non food items, beverage items, on production and on others sectors. Food items consists of cereal, pulses, meat, vegetable, milk etc. non food items includes tobacco, tea, education, healthcare, and clothing.

Earners: The household's members who are economically active considered as earners.

Household: It is defined as a group of people related by bloods, marriage, or adoption who live together and take meal in the same kitchen.

Household Head: The person who provides more than half of the financial support to their household during the year or who is responsible for taking household decision is called the head of household. Heads of the household can be married or single, as long as they support dependent children or parents or other close relatives living at home.

Caste: The Caste classified according to religion, such as Brahmin, Chetteri, Magar, Kami, Damai, Sanayasi, Dalit, Thakurai, Sonar, Sarki, Gurung, Muslim, and Others.

Household Categories (Income level): In this study the total sample household is categories in groups as categories in NLSS. The annual income is categories within specific range of income.

Geographical Aspect: It includes the politically classified boundary of research area, which we can see in map of Nepal.

Economic Aspect: All economic activities, position of sample household within the study area.

Monetary Cost: Evaluation of cost in the money value.

Composition of Income: Altogether income of household from various sources of income.

Remittance income: Remittance income is that portion of income which is transferred by foreign workers (remitters) who are living and working in other countries (especially in the developed countries) typically to their family who are still living in their home country.

Remittance earners: The household's members who are working in abroad and transfer the fund to the family who are living in their home country.

Consumption:-it is defined as the use of goods and services for satisfying wants.

CHAPTER –IV

BRIEF PROFILE OF THE STUDY AREA

4.1 Geographical Aspects

Gulmi, one of the six district of Lumbini Zone, lies in the western development region of Nepal. It is situated at distance of about 350 Km west from the Kathmandu. It is bordered by Palpa, Syangja, Parbat and Baglung. There are 79 VDC and covering total area of 1703 Square Kilometer. Among them Jubhung VDC is one which lies in the middle part of the district.

Jubhung VDC is located about 20 Km east from the district headquarter, Tamghas. The Badighaat river separates the two VDC Jubhung and Rupakot. Jubhung VDC is bordered by Balithum, Rupakot, Hunga, Pallikot, Birbas. Out of the total area 85.703 Hector is in under the cultivation. Rest is occupied by jungle, road, river and public land.

Topographically, the surface of the land of this VDC slopes from east to west. The elevation of this VDC is approximately 610m to 3050 meter from the mean sea level. The climate of this VDC is subtropical monsoon type. The temperature varies between 12.90’c to 23.30’c.

4.2 Population and Social Condition

According to the population census 2011 in this VDC the total population was 4417, belonging to 934 household with 4.91 average household sizes. Among them, number of male and female is 1958 and 2459 respectively. The population of Jubhung VDC is made up of different cast groups. Magar constitute of 46.95 percent which is highest. Chhetri comes in second position with 22.43 percent out of total population etc.

Table 4.1: Population by Caste/Ethnic Group

Caste/Ethnic Group	Total	Percentage
Magar	2074	46.95
Chhetri	991	22.43
Brahmin	696	15.75
Dalit	542	12.27
Newar	93	2.10
Sanyasi	9	0.02
Others	12	0.27
Total	4417	100.00

Source: VDC Profile 2013

In this VDC Magar and Chhetri covers more than 68 percent out of total. Brahmin, Dalit and Newar castes covers 15.75 percent, 12.27 percent and 2.10 percent population out of total respectively. Other castes are very negligible in this VDC.

4.3 Distribution of Population by Age and Sex

The sample population has distributed by age and sex and it is presented in Table 1.2. Age group is categorized in 3 different group of below 15, age within 15 to 59 and above 60. Male and female with respect to age is also tabulated in this table.

Table 4.2: Distribution of sample Population by Age and sex

Age group	Male	Female	Total	Percentage
Below 15	28	20	48	11.26
15 to 59	182	160	342	80.28
60 and above	16	20	36	8.45
Total	226	200	426	
Percentage	53.06	46.94	100	100

Source : Field Survey 2013

The table 4.2 shows that, the total sample population is 426 among which 53.06 percent were male and 46.94 percent female. While comparing it with national data males are 49.80 percent and female are 51.20 percent. Among sample population 11.26 percent were falls under below 14 ages which is less then national data of 43.36 percent. Productive age population was 80.28 percent in the study area which is greater than national data 50.78 percent. Similarly 8.45 percent of the total population falls under the age of 60 above.

4.4 Education Status of the Study Area

In this study area majority of the household are found literate. Table 4.3 shows the literacy scenario of the study area.

Table 4.3: Education Status of the Sample Household

Education Status	Male	Percent	Female	Percent	Total	Percent
Illiterate	52	23	50	25	102	23.94
Literate/ Under SLC	70	30.97	56	28	126	29.57
S.L.C.	50	22.12	48	24	98	23
Higher Education	60	26.54	40	20	100	23.47
Total	226	100	200	100	426	100

Source : Field Survey 2013

The table 4.3 shows the 23.94 percent of the total sample population are illiterate which is quite good than the national average of 46 percent. Educated population having below S.L.C. is 29.57 percent. It is less than the national average of 53.74 percent. Out of total population S.L.C. holder is only 23 percent and 23.47 percent population have access to higher education when we see the sex wise distribution of education only 23 percent male sample population is illiterate whereas 23.94 percent female are illiterate in the study area. At the all level of education percentage of education male is nearly equal to female sample population. One of the major indicator of developed nation can be considered as the education status of people. Education helps to increase

productivity and potentiality of a person and also provides knowledge and skill for development of community and while nation. So the data about education on study is not satisfactory. The data shows the face that parents is aware of the importance of education.

4.5 Family Size Structure of Household

To categorized the sample households by number of member the range are taken as 1-4, 5-7 and 8 and above.

Table 4.4 : Family Size Structure of Household

Household Size	No. of household	Percent of Household
1-4	46	49.46
5-7	40	43.01
8+	7	7.53
Total	93	100

Source : Field Survey 2013

We have categories the household by number as the small (1-4), medium (5-7) and Large (8 and above) family size. The data shows that most of the household falls under small size family which is 49.46 percent where 43.01 percent and 7.53 percent household falls under the medium and large size family. This means in the study area 49.46 percent of sample household have 1-4 member of family. The study found that the average household size of study area is 4.58 while the national data shows that household is 4.6.

4.6 Occupational Distribution on the Basis of Highest Income Earning

Occupational determine the economic status of people. Tables shows the occupational distribution of the study area.

Table 4.5: Occupational Distribution on the Basis of Highest Income Earning

Occupation	No. of Household	Percent
Foreign Employment	50	53.76
Agriculture	20	21.50
Service	13	13.97
Business	10	10.75
Total	93	100

Source : Field Survey 2013

Above table 4.5 shows the fact that foreign employment is the main occupation of the study area. The study shows 53.76 percent people are in foreign employment which is followed by agriculture 21.50 percent, service 13.97 percent and business 10.75 percent. The main reason for the domination of foreign employment is the low level of productivity of agriculture and lack of alternative job opportunity in the country and easy procedure for foreign jobs. We can say easily the main occupation of the study area is foreign employment.

CHAPTER –V

DATA ANALYSIS

Analysis of Income and Consumption Expenditure

Various theories related with the income and consumption expenditure shows that as level of income increases the use also vary accordingly. The theories such as absolute income hypothesis permanent income hypothesis, relative income hypothesis and life cycle income hypothesis show various condition that effect to the consumption. Income is defined as the amount of final goods and services received by an individual, corporation or economy is known as income. Here the earning means the return from human effort, the reward for input of factor of production and income of the poverty or poverty problem. Nepalese context single occupation cannot support individual to maintain the level due to lack of specialization. So people are involving many occupation for their livelihood. Most of the households of the study area, earns from foreign employment.

5.1 Number of Migrant Worker and its Causes

Among population of study area, more than 21 percent people were found to be employed in foreign employment i.e. 90 population were earning from remittance. There are several reason to seek foreign employment to find the cause to seek this employment the respondent asked why their family member seeks to go for foreign employment.

Table: 5.1 : Causes Seeking for Foreign Employment

Causes to Migrate for Foreign Employment	No. of Migrant	Percent
Unemployment	30	33.33
To decrease family loan	20	22.22
Internally desire to go abroad	15	16.66
To earn high amount of money	10	11.11
Others	15	16.66
Total	90	100

Source : Field Survey 2013

Table 5.1 shows that 33.33 percent of population were migrated due to unemployment, 22.22 percent were due to decrease family loan, 16.66 percent were due to internally desire, 11.11 percent were due to income high amount of money and other various reason that force to migrate were 16.66 percent. Table 5.1 also shows that unemployment, family loan and desire are main causes to seek foreign employment.

5.2 Channels From which Household gets Income

Income transfer depends upon availability of means of transfer and facilities, their reliability and awareness of users about the system. The channels are categorized in five different headings which is shown in table 5.2.

Table 5.2 : Channel from which Households gets Income

Headings	Amount Rs.	Percentage
Banking	955063	9.99
Money Transfer	750500	78.95
Hundi	191012	2
With Friends and relatives	477531	5
Brought with him/her	286519.05	3
Total	9550635.00	100

Source : Field Survey 2013

Table 5.2 shows that 90 percent of total sample household were found receiving through the official channels. Official channels are defined as those channels which can provide the records, if needed but unofficial channels can't. Most of the remittance receiving household by money transfer agencies. In the study area it was found that 80 percent of total remittance income belongs on such agencies, 10 percent of total remittance income were found unofficial channels.

5.3 Composition of the Annual Income

The study shows that, in the study area the households are engaged in various sectors like foreign employment, agriculture, service, business and other unspecified jobs. The main occupation yielding highest income is found to foreign employment. More than 65 percent of total income is earned from this sector. Agriculture sector comes in second position with 14.63 percent.

Table 5.3 : Composition of Annual Income from major Occupation (In Rs per years)

Source of Income	Total Annual Income Rs.	Percent
Foreign Employment	9550635.00	65.61
Agriculture	2129870.00	14.63
Service	1012130.00	6.95
Business	813200.00	5.58
Others	1049465.00	7.23
Total	14555300.00	100

Source : Field Survey 2013

Field observation and interviews shown that sample household in the study area engaged in various sectors like foreign employment, agriculture, service, business and others jobs. They are earning more than 65 percent from foreign employment. Agriculture occupied the second position in income generation in study area which shows more than 14.63 percent of income including farming and livestock. Service sector contribute 6.95 percent of total income and business sector contributes 5.58 percent of total income. Rest of the income is earning from other sources. Table 5.3 shows that there is no any suitable source of income. Highest income yielding sector is foreign employment also not a suitable source of income. There is higher dependency on agricultural income. It is not sustainable source, at it highly depends on monsoon.

5.4 Household Size and Level of Annual Income

The relationship between household size and level of annual income is considered as positive. If the family members are employed and skilled then

earning of households increases and vice versa. The relationship between household size and annual income is shown in following table.

Table 5.4 : Household Size and Level of Annual Income

H.H. Size	No of H.H	Total Population	Average H.H. Size	Total H.H. Income	Average annual per capita income	Average annual household income
1-4	46	140	3.04	5094355(35)	36388.25	110746.84
5-7	40	226	5.65	6549885 (45)	28981.79	145553
8+	7	60	8.57	2911060 (20)	48517.66	415865.71
Total	93	426	5.75	14555300	113887.70	555593.55

Note : Number in parenthesis indicates percentage.

Source : Field Survey 2013

Table 5.4 shows that, 35 percent of total income is earned by small family size. Similarly 45 percent and 20 percent is earned by medium and large family size respectively. Table shows that, more than 45 percent income is earned by medium family size. Table shows the positive relationship between household size and average household income. The average household income with household size 1-4 is 110746.84 which is least. Average household income with household size 5-7 is 145553.00 and income with household size 8 and above is Rs. 415865.55. Thus data shows the fact that there is gradual increase in average income along with increase in household size. But the case is not same with per capita income. Data shows that there is inverse relationship between per capita income and increase in household size. Per capita income is Rs. 36388.25, 28981.79 and 48517.66 with household size 1-

4, 5-7, 8 and above respectively. Inverse relationship between per capita income and household size is mainly because of population with earning capacity in this group is very low. In the study area annual average income of sampled household is 55593.55 and per capita income is only 11387.70 which is very low in comparison to Nepalese per capita income 562\$. This is because of their low earning capacity lack of job opportunity, unskilled labor and unequal distribution of wealth as well.

5.5 Income Distribution Pattern among the Total Sampled Household.

Income distribution among the sample household can be explained by dividing household in different group with fixed income range. This would be relevant to know the income inequality among household. It simply deal with the household and range of income they earned.

Table 5.5 : Distribution of Income Among the Total Sampled Household

Income Group(in '000')	No of H.H	percent of H.H.	Total Income	percent of income
50-100	4	4.30	1194990	8.21
100-150	10	10.75	1346365	9.25
150-200	40	43.01	3640280	25.01
200-250	20	21.50	2183298	15.00
250-300	10	10.75	1503511	17.20
300-350	6	6.45	1456985	10.01
350 above	3	3.22	2229871	15.32
	93		14555300	

Source: Field Survey 2013

Table 5.5 shows total sampled household which have categories into seven groups on the basis of certain annual income. Table shows the categories of sampled household with respect to their certain income range. Range are classified into seven different ranges with class interval of 50 thousand. They are from 50 thousand to above 400 thousand. There was 4 household having annual income below 100 thousand, which in percentage are 4.30 of total sample household. Share in total annual income of sample household of the group is only 8.21 percent. Those who earn in ranges of 100-150 thousand were found 10 household among 93 samples household which in percentage are 10.75 of total sample household. Share in total annual income of sample household of this group is 9.25 percent. Those who earn in range of 120-200 thousand were found 40 household among the 93 household which in percentage are 43.01 of total sampled household. It is earned by highest sampled household. Share in total annual income of sample household is 25.01 percent. Income earning range of 200-250 thousand were found on 20 household i.e. 21.50 percent of total sample household. The share of such household having that income range on total annual income of total sample household were found. It was found that 80 percent of household have income below the 250 thousand annually. Likewise 10 household were found having income range of 250-300 thousand i.e. 6.45 percent. Its share on total annual income of sampled household is 17.20 percent. The income earner having range of 300-350 and 350 above were found on 6 and 3 household respectively. The share on total annual income of all household were found 10.01 and 15.32 percent respectively.

5.6 The Nature of Remittance Income:

Income from remittance has approved the economic position of household on the study area. Due to various reason people used to choose other countries as their destination for foreign employment. Most of the household were enjoyed at Qatar, Saudi Arab, Malaysia, UAE, South Korea etc. The remittance depends upon level of work, position, salary, post and company and country also. The table shows nature of remittance income.

Table 5.6 : Nature of Remittance Income by Age Group

Age group	No. Migrated person	Percent	Annual Earnings In Rs.	Per Capita Remittance (In Rs)
15 to 30	47	52.22	5019238	106792
30 to 45	35	38.89	3500138	100003.94
45 to 60	8	8.89	1031259	206251.80
Total	90	100	9550635	413049.03

Source : Field Survey 2013

As shown in the table 5.6 age group has been formed as per the methods of categorizing as the age of migrated person by NLSS. Below 15 years no one has gone abroad for the employment. Highest remittance earners falls under the age of 15 to 30. This supports that after 15 years many youth in study area obliged to seek foreign employment for earning because their guardians cannot afford for their further desire. The age group of 30-45 were found to be 38.89 percent who were employed in abroad out of migrated person from sampled household. People having age of 30 to 45 are normally responsible age for family and his future. 18 percent of remittance earners fall under the age of 45

to 60. Those who have age of more than 30 years and below 60 years more than 50 percent of total remittance income.

5.7 Expenditure Pattern

Expenditure plays major role in development process of the country. Not only values of expenditure but also the trend and pattern of composition expenditure become more important as it provides vivid picture of the economy. Expenditure indirectly gives the picture of domestic production, imports of consumer goods and also the saving potentiality of the country. Various factor influences the expenditure pattern such as income, family size, demonstration effect, geographical situation, farm size, etc. Like this expenditure pattern of the study area is also affected by many factors Here an attempt is made to illustrate the nature of expenditure in the study area. Consumption represents the total quantity of goods and services bought and consumed by a consumer during a period. So to analyze the consumption patterns of Jubung VDC various item of consumption such as, Food item, non food item, etc. has considered as main item.

Table 5.7 : Expenditure Pattern of Various Goods

Items	Amount (In Rs)	Percent
Food Items	4642266	37.03
Rice, Wheat, Maize	2544909	20.3
Vegetables/ Fruits	754697	6.02
Oil/ Salt	673210	5.37
Milk/ Milk Product	394900	3.15
Meat/ Fish	274549	2.19
Beverage Items	1222309	9.75
Tea/ Sugar	507258	4.15
Wine/ Drinks/ Smoking	684493	5.60
Non Food items	4415355	35.22
Education	1262426	10.07
Festivals/ Entertainment	404928	3.23
Clothing/ Jeweler	407436	3.25
To by Agricultural Land	1002920	8.00
Business Industry	184287	1.47
Bank Deposit	883823	7.05
Health	269535	2.15
On Production	626825	5
Labor/ cost of harvesting	470119	3.75
Seeds and fertilizer	156706	1.25
Others	1629745	13
Loan Paid	1190968	9.50
Electricity	438777	3.50
Total	12536500.00	100

Source : Field Survey 2013

Table 5.7 shows the annual expenditure of sample household on various items such as Food Item, Non Food Items, On Production, etc. The table shows that out of their total expenditure 37.03 percent is spending on food items. Among food items cereal crops occupied 20.30 percent of total

expenditure. Vegetables/ Fruits, Oil salts and meat/Fish covers 6.02, 5.37, 3.15 and 2.19 percent respectively.

Expenditure on beverage item, including tea sugar and alcoholic is 9.75. Total food expenditure in the study area including beverage items is 44.78 percent which is greater than national data 38.90 percent. Expenditure on non-food items by sample household is 55.22 percent and within the non food items they spend 2.15 percent. 10.07 percent expenditure have made on festivals/entertainment this is also higher than national data 8.70 percent. Similarly, expenditure on clothing/ jewelers, to buy agriculture land, bank deposit, and health is 3.25, 8, 1.47, 4.05, 2.15 percent out of their total expenditure respectively.

There is only subsistence agriculture only 5 percent of total expenditure is spent on the production expenditure, on electricity, loan paid is 9.50 and 3.50 percent respectively. During the field survey it was found that due to the lack of irrigation facilities, seed quality and modern method of farming sampled household are not being able to produce food for whole year. From the table 2.19 percent of expenditure on food item is higher than expenditure on non food items. Household are spending 10.07 percentages on education. This shows that, people are getting aware about education. Likewise 3.23 percentage expenditure is made on festivals and entertainment.

5.8 Distribution of Consumption Expenditure by Household Size

The factor which influences the consumption expenditure is household size. Automatically there is positive relationship between consumption expenditure and size of family. For this purpose family size has categories in three groups which are shown in the table.

Table 5.8 : Level of Expenditure by Household Size

H.H. Size	No. of H.H.	Population	Annual Expenditure	percent of Expenditure	Per Capita Expenditure
1-4	46	140	3890076	31.03	27786.25
5-7	40	226	7643504	60.97	33820.81
8+	7	60	1002920	8.00	16718.33
	93	426	12536500	100	78322.39

Source : Field Survey 2013

Table 5.8 shows the level of expenditure by household size. Household having 1-4 family member spent 31.03 percent of total expenditure and per capita expenditure for this group is 27786.25 annually. Similarly households having 5-7 family members spent 60.97 and per capita expenditure for this group is 33820.81 and 8 percent of total expenditure is made by households having family member 8 and above with 16715.33 per capita expenditure. Per capita expenditure for while population was found 26107.46. This is very nominal amount and is not sufficient to fulfill their basic needs. This is because of low productivity and low level of earnings i.e. below the per capita income of Nepal. So this data shows that, peoples are living under the subsistence level.

5.9 Consumption Expenditure on Food items by Household Income

Consumption expenditure on food items is the expenditure on cereal crops, Vegetables, meat/Fish etc. This is the expenditure for livelihood. Still there is vast problem for hand to mouth in society. National data shows 25.40 percent people are still under the absolute poverty. This also hand to mouth problem or people are not being able to fulfill their food need. The table shows the sample households expenditure on food items.

Table 5.9: Consumption Expenditure on Food Items by Household Income

Income Group '000	No. of H.H.	Cereal Crops	percent of Cereal Crops	Veg/Oil/Salt/Milk	percent of Veg/Oil/Salt/Milk	Meat/Fish	percent of M/F
0-100	4	125930	4.94	95560	5.24	15029	5.47
100-200	50	1274169	50.06	1031333	56.27	135032	49.18
200-300	30	840455	33.02	491564	26.97	84254	30.69
300+	9	304355	11.98	204350	11.22	40234	14.66
Total	93	2544909	100	1822807	100	274549	100

Source : Field Survey 2013

Table 5.9 shows the level of expenditure on food items such as rice, wheat, maize, vegetables, oil, salt milk and meat/fish by household income. Household have categorized into 4 groups on the basis of annual earning.

There is 4 household having income up to 100 thousand among sampled household and they spend 4.94 percent on cereal crops out of total expenditure on food items. Income group 100-200 thousand spend 50.06 on cereal crops. Similarly 33.02 percent and 11.98 percent expenditure on food item is made by income group having 200-300 thousand and 300 thousand above respectively.

Expenditure made on vegetable, oil, salt, milk product and meat/fish is 5.24 percent and 5.47 percent respectively by income group having up to 100

thousand. Income group having 100-200 thousand is spending 56.57 percent and 49.18 on vegetables/oil/salt/milk and meat/fish respectively.

Expenditure on vegetables/oil/salt/mild and meat/ fish by income group having 300 and above is 11.22 percent and 14.66 percent. The Table shows that percentage of expenditure is decreasing with increase in income level or income group. This is mainly due to number of household is lesser with the higher income group. From the table it is found that expenditure on cereal crops is higher for lower income group. But the case is not same for vegetables/oil/salt and meat/fish. Expenditure on these items increases along with increase on income. This face shows the strong inclination of lower income group people on cereal crop and expenditure on other item increases as income increases.

Table 5.10 : Distribution of expenditure on Non Food item by Household Size

Income group '000	Education	Festival/ Entertainment	Clothing/ Jeweler	Buy Agriculture Land	Business/ Industry	Health
100	189863 (15.03)	41492 (10.24)	29520 (7.24)	80433 (8.00)	23957 (12.99)	53907 (20.00)
100-200	340955 (27.01)	121879 (30.09)	101859 (25.00)	220100 (22.00)	47071 (25.55)	45920 (17.03)
200-300	366110 (29.00)	101332 (25.02)	152602 (37.45)	411168 (40.00)	49857 (27.05)	117804 (43.71)
300+	365498 (28.95)	140225 (34.63)	123455 (30.30)	291219 (30.00)	63402 (34.40)	51894 (19.25)
Total	1262426	404928	407436	10022920	184287	269535

Note : Number in parenthesis indicates percentage.

Source : Field Survey 2013

Table 5.10 shows that income group having 0-100 thousand spend 15.03 percent on education, 10.24 percent on festival/ entertainment, 7.24 percent on

clothing/ jewelers, 8.01 percent on buy agricultural land, 12.99 percent on business/ industry and 20 percent on health. Income group having 100-200 thousand is spent 27.01 percent on education 22 percent on buy agricultural land, 25.55 percent on business/ Industry and 17.03 percent on health. Higher expenditure on health i.e. 43.71 percent is made by income group having 200-300 thousand. This group spend 29 percent on education, 25.02 percent on festivals/ entertainment, 37.45 percent on clothing/ jewelers, 40 percent on buy agricultural land and 27.05 percent on business/ industry. Income group having 300 and above thousand annually 28.95 percent on education and 34.63, 30.30, 30.00, 34.40 and 19.25 percent expenditure on festival/ entertainment, clothing/ jewelers, buy agricultural land, business/ industry and health respectively.

Table 5.10 shows that expenditure made on education by each group is relatively low. Though the low level of expenditure on education is obstacle in the way of human capital formation and skillful labor production. They seem to be more or less aware about importance of education.

5.11: Distribution of Expenditure on Beverage Items, Production by Household Income

Income group '000	Beverage	Labor/ Cost of harvesting	Sees and Fertilizer	Loan Paid	Electricity
0-100	365179 (29.87)	70517 (14.99)	27108 (17.29)	237895 (19.97)	70206 (16.00)
100-200	268100 (21.93)	164541 (34.99)	29874 (19.06)	416938 (35.00)	78979 (17.99)
200-300	271131 (22.18)	118127 (25.12)	51145 (32.63)	238293 (20.00)	118469 (26.99)
300+	317899 (26.01)	116934 (24.90)	48579 (31.02)	297892 (25.03)	171123 (39.02)
Total	1222309	470119	156706	1190968	438777

Source : Field Survey 2013

Note : Number in parenthesis indicates percentage.

Table 5.11 shows that income group having 0-100 thousand spend 29.87 percent on beverage item, 14.99 percent on seed and fertilizer, 19.97 percent on loan paid, 16.00 percent on electricity. Income group having 100-200 thousand spend highest on loan paid i.e. 35.00 percent. Similarly 21.93 percent, 34.99 percent, 19.06 percent, 17.99 percent, spend on beverage item, labor and cost of harvesting, seed and fertilizer and electricity respectively. Income group having 300 and above annually spend 26.01 percent on beverage items, 24.90 on labor and cost of harvesting, 31.02 percent on seed and fertilizer, 25.03 percent on loan paid and 39.02 percent on electricity.

CHAPTER -VI

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

This study shows the impact of remittance on consumption of Jubhung V.D.C. of Gulmi District. For this purpose, primary information based on the random sample basis, 10 percent of the total households were taken into consideration. In this study was also made to explore the different sources of income of sampled household on the basis of different of income group.

The main summary of major findings of the study are as follows:

-) In the field survey total sample population is found to be 426, where 226 male and 200 female i.e. 53.06 percent is male and 46.94 percent is female.
-) In the study area, 11.26 percent of population remains below 14 years age. Similarly 80.28 percent and 8.45 percent lies in 15-59 and above 60 years respectively.
-) In the study area 23.94 percent of sample populations are illiterate where the percentage of male is 23 percent and 25 percent are female. 29.27 percent of sample population are found to be literate or under SLC, where the percentage of male is 30.97 and 28 percent is female. 23 percent of sample population stopped their education after the SLC. Only 23.47 percent of sample population has access to higher education where male percentage is 26.54 percent and 20 percent are female.
-) The average of household size is 5.75.
-) Out of 93 sampled household 49.46 percent of the sample population has 1-4 family members. 43.01 percent household has 5.7 family member and 7.53 percent household have the family size 8 and above.

-) Out of 93 sampled household, on the basis of higher income earning 53.76 percent are engaged in foreign employment, 21.50 percent in agriculture, 13.97 percent in service, 10.75 percent in business.
-) In the study area, more than 65 percent of total income is received from foreign employment. Followed by 14.63 percent from agriculture, 6.95 percent from service, 5.58 percent from business and others is 7.23 percent.
-) The highest average per capita income 48517.66 has been earned by household having family size 8 and above. On the same way 36388.28 by 1-4 family size and 28981.79 by family size 5-7.
-) The annual household income is Rs. 110746.84 for household having 1-4 people in family. Similarly Rs. 145553.00 and 415865.11 for household size having family member 5-7 and 8 and above respectively. Overall average income of the household is Rs. 113887.70.
-) In the study area 84.94 percent of sample household receiving annually more than 150 thousand.
-) Total consumption expenditure made on the food item is 37.03 percent and non food item is 35.22 percent.
-) Among the food items, highest share is occupied by cereal crops i.e. 20.30 percent. Expenditure on oil/salt, milk/ milk product, meat/ Fish is 6.02 percent, 5.37 percent, 3.15 percent, and 2.19 percent respectively.
-) Among the non food items, education covers 10.07 percent, Festivals/ entertainments 3.23 percent, clothing/ jewelers 3.25 percent, buy agriculture land 8 percent, business/ industry 1.47 percent and health 2.15 percent.
-) Among the total income of 3.75 percent spending on labor/ cost of harvesting and 1.25 percent on seeds and fertilizer.

-) The percentage of household having income up to 100 thousand is 8.21 percent. They spent
-) Out of total sampled household 53.76 percent is receiving remittance income.
-) More than 78 percent remittance inflows from the channels of money transfer agencies, 9.99 percent from banking channel, 5 percent from their friends/ relation, 2 percent from the hundi.
-) In the study area, total remittance inflow is 9550635 which is 65.61 percent of total income.

Conclusion

From the findings of this study, it can be conclude that use of remittance on consumption is increasing positively. Remittance inflow and its current situation in the study area are high and as in national scenario. Remittance is major sources of foreign currency and contribute positively to recipients national balance of payment on macro level, remittance are vital sources of foreign currency, which helps to stabilize the balance of payment deficit. The study shows that 72.25 percents of total remittance income is spending on the consumption headings. Among them more than 37.03 percent is being spent on food items and 35.22 percents on non food item in the study area. Such goods usually are imported. If such tendency is being continuously increasing, then it will fuel a trade balance and which make Nepal more venerable to certain shocks. This study insists that most obvious effect of remittance is that, it increases the income of recipients would increase consumption. The long term problem of remittance as being sources of income on household economy is not well understood. The study supports the question that is the most of remittance income is being use for consumption. The study helps to conclude that consumption level is being increasing as the remittance income increases.

Due to the political conflict, most of peoples are migrated for foreign employment. Unemployment, debt burden are also found as major causes for migration to abroad employment. This study shows that sampled housed hold were receiving 53.76 percent of their total income. Though most of studies shows unofficial channels are often used by foreign employed to remit their income for household. But the study shows that official channels are being use by such household.more than 88 percent remittance inflows from official channel.

Thus, if it is not minded in appropriate time, the present tendency of use of remittance will certainly brings shocks for national economy. More expenditure on festival, social ceremony, entertainment, should control in such a way that they use only domestic production and helps to preserve foreign currency.

Recommendations

Keeping in view of the findings of the study, following recommendations are made hoping that it will be useful for planners and policy makers.

1. There is difference between remittance receiver's and not receiver's household income. Poverty rate is also slightly high of the non-remittance receivers. So, it should be given priority to implement measures to reduce poverty of non remittance receivers.
2. Tax structure on the beverage items need to be progressive one and expenses on festivals and entertainment should be lower down. So that high income group will attempt to cut unproductive expenditure, thereby increase the saving for investment in productive area.
3. Free schooling for all income groups is suggested in the sense that education is one very effective way of making people aware and to change them into skilled manpower which helps is narrowing the income disparity between 'haves & have not'.

4. To raise their income, employment opportunities need to be explored. One major area would be the development of cottage industries in this context.
5. Most of the respondents of this VDC have gone to foreign employment in unskilled condition. So they cannot earn more income than skilled workers. So, the technical training institution should be established in rural areas and a person who wants to go to the foreign employment, should be given training related to the work that has to be done in abroad and also the language of the migrating country before going to foreign employment.
6. To invest the remittance income in productive sector, the government should initiate for the issue of development bonds like Remittance Bond, having higher rate of interest, or a kind of Mutual Fund.
7. Surely remittance impact on consumption very positively of the study area and also it is improving the social as well as other economic indicators of this VDC but this is not satisfactory. Maximum part of the remittance income have been used in unproductive sectors like regular household expenses, loan payment, house improvement and social spending etc. this don't give any return in the future. Thus the policy should be made to give more information to the respondents on using their remittance income into productive sectors like investment in Shares, Business etc. and should be given more opportunities to them in using their newly learnt skill after returning from the foreign employment.
8. Government should have a proper policy that should guide them to identify new market for workers and the continuation of old market with increasing facilities to the labor migrants.

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Questionnaire

Questionnaire for Household Survey -2011

Central Department of Economics

Tribhuvan University

For the purpose of M.A. Thesis

Trend and Pattern of Remittance Income on Consumption in Nepal

District: Gulmi V.D.C. – Jubhung Ward No. -.....

Tole -.....

1. Background Information of Interviewer:

a) Name Title:

b) Age:

c)

Education:

2. Family Background:

No.	Name	Age	Sex	Education	Occupation	Marital Status	Remarks
							within/outside
1							
2							
3							
4							
5							
6							
7							
8							

3. Background Information of person who went abroad for a job:

No.	Name	Education	Profession (During Nepal)	Country	Type of Works	Monthly Income (NRs)	Remarks
1							
2							
3							
4							

4. What is your current source of income?

- (a) Agricultural Produce (b) From Cattle (c) Service (d) Remittance
(e) Others

5. What are the causes for going to abroad for employment by you on the basis of primary factors?

- a) Job not found in country
b) To decrease family loan
c) To income high amount of money
d) Not appropriate to seat in own country due to the conflict
e) Internally desire to go to abroad
f) Due to the friends and relative persons went
g) To prevent from abuse
h) Any other to be mentioned.....

6. 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

7. How often do you receive the funds?
 (a) Every Month (b) Quarterly (c) Biannually (d) Yearly (e) Not regular
8. 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
9. 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
 © Saving
 (i) 1000 – 5000 (ii) 5000 – 10000 (iii) 10000 – 25000 (iv) More than 25000
10. What were the sources from which you collected money to go to foreign country?

No	Topic	Amount	Common Interest
1	From own Income		
2	Having loan: a) From Bank b) From Merchant/Higher class people c) From Relative person d) From Public Institution		
3	Help from friends, parents		
4	From selling various things		
	Total		

11. How much money did you spend per month from your salary in the following topics ?

S.N	Topic	Amount (Rs)
1)	For Food	
2)	For Setting Down	
3)	In Health	
4)	Entertainment	
5)	Others	
	Total	

12. Family before remittance expenditure

(a) Expenditure on food items:

S.N.	Kinds	Total quantity	Price per unit	Total expenditure
1.	Paddy			
2.	Wheat			
3.	Pulse			
4.	Milk			
5.	Milk products			
6.	Vegetables			
7.	Oil & Salt			
8.	Meat and eggs			
9.	Sugar and tea			

10.	Maize			
11.	Fruits			
12.	Others			
	Total			

(b) Expenditure on non-food items:

S.N.	Kinds	Total expenditure
1.	Clothing/ food wear	
2.	Education	
3.	Health & health services	
4.	Festivals/ customs	
5.	Firewood/ electricity	
6.	Smoking/ Drinking	
7.	Others	
	Total	

13. Family after remittance expenditure

(a) Expenditure on food items:

S.N.	Kinds	Total quantity	Price per unit	Total expenditure
1.	Paddy			

2.	Wheat			
3.	Pulse			
4.	Milk			
5.	Milk products			
6.	Vegetables			
7.	Oil & Salt			
8.	Meat and eggs			
9.	Sugar and tea			
10.	Maize			
11.	Fruits			
12.	Others			
	Total			

(b) Expenditure on non-food items:

S.N.	Kinds	Total expenditure
1.	Clothing/ food wear	
2.	Education	
3.	Health & health services	
4.	Festivals/ customs	
5.	Firewood/ electricity	
6.	Smoking/ Drinking	
7.	Others	
	Total	

14. Do you intend to invest your savings in any productive sectors that you feel could multiply your savings?
(a) Yes (b) No
15. In your opinion, in which sector more affected by remittance income?
Answer:
16. Do you have suggestion for remittance income to make more productive?
Answer:
17. Did you find any social and economic impacts occurred by labor migration on your family/ society?
a. Social affects.....
b. Economical affects.....

THANK YOU