

**ROLE OF REMITTANCE IN RURAL POVERTY REDUCTION: A  
CASE STUDY OF RAJBARA VDC, PYUTHAN DISTRICT**

**A Thesis**

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in  
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## LETTER OF RECOMMENDATION

This thesis entitled **“ROLE OF REMITTANCE IN RURAL POVERTY REDUCTION: A CASE STUDY OF RAJBARA VDC, PYUTHAN DISTRICT”** has been prepared by Mr. Navraj Pokhrel under my supervision. I hereby recommend this thesis for examination by the thesis committee as a partial fulfillment of the requirements for the Degree of Master of Arts in Economics.

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## APPROVAL SHEET

We certify that this thesis entitled “**ROLE OF REMITTANCE IN RURAL POVERTY REDUCTION: A CASE STUDY OF RAJBARA VDC, PYUTHAN DISTRICT**” submitted by Mr. Navraj Pokhrel to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of Master of Arts in Economics has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of said degree.

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## **ABBREVIATIONS**

ADB	:	Asian Development Bank
BOP	:	Balance of Payment
CBS	:	Central Bureau of Statistics
CEF	:	Convertible Foreign Exchange
DFID	:	Departmental for International Development
FDI	:	Foreign direct Investment
FY	:	Fiscal Year
GDP	:	Gross National Products
GNI	:	Gross National Income
GON	:	Government of Nepal
HDR	:	Human Development Report
IA	:	Intermediate of Arts
ILO	:	International Labor Organization
IMF	:	International Monetary Fund
KSA	:	Kingdom of Saudi Arabia
MOF	:	Ministry of Finance
NLSS	:	Nepal Living Standard Survey
NPC	:	Nepal planning committee
NRB	:	Nepal Rastra Bank
SAARC	:	South Asia Association for Regional Cooperation
SLC	:	School Leaving Certificate
UAE	:	United Arab Emirates
UK	:	United Kingdom
UNDP	:	United National Development Program
US\$	:	United State Dollar
USA	:	United State of America
VDC	:	Village Development Committee
WB	:	World Bank
WDR	:	World Development Report

# CHAPTER I

## INTRODUCTION

### **1.1 General Background**

Poverty is the major burning problem of both developing as well as under developed countries in this present time, only the difference is its magnitude and type of poverty. It is a worldwide phenomenon and however it differs in its magnitude from one country to another.

Nepal, a landlocked Himalayan country, surrounded by India in the east, west, south and by China in the north. Located between latitudes 26°22' and 30° 27' and longitudes 80° 4' and 88° 12' east, with 147181 sq. km. About 83 % of the land mass is occupied by hills and mountains, including the highest peak in the world Mt. Everest. The remaining 17% is occupied by flat land terai in south. The population growth rate of Nepal was 1.4 percent per annum and total population is 266,20,809 (CBS, 2011) and per capita income less than \$640. The economy of the country is still largely agriculture-based. The development challenge of Nepal is formidable. The annual population growth rate is 1.4% and around 26% of population live below the poverty line and GDP growth rate is not more than 4.6% (MoF, 2012). Nepal being one among the poorest countries of the world, its opportunities for the faster economic growth is limited. We have abundant resources for which the country enjoys competitive advantages. The exotic culture, unique social setting arts and architecture, religion and above all people themselves are the resources, if harnessed appropriately could bring about noteworthy achievements.

Poverty is defined as the unavailability of basic requirement like clothes shelter and food. As for example: a person needs average daily in take of 2144 (NLSS 2003/04) calories and value of the lowest actually daily of other basic necessities. If a person can't get that required amount of calories he can be rated as poor. Due to the very high level of poverty, the social index of Nepal is also very low in comparison to the world level. Although the foreign

investment is the main source of development of any economy, because of the lack of sufficient policies and infrastructure the foreign investment in Nepal is not satisfactory.

Global Foreign Direct Investment (FDI) flows exceeded the pre-crisis average in 2011, reaching \$1.5 trillion despite turmoil in the global economy. However, they still remained some 23 percent below their 2007 peak.

UNCTAD predicts slower FDI growth in 2012, with flows leveling off at about \$1.6 trillion. Leading indicators –the value of cross- border mergers and acquisitions(M&As) and Greenfield investments- retreated in the first five months of 2012 but fundamentals, high earnings and cash holdings support moderate growth. Longer-term projections show a moderate but steady rise, with global FDI reaching \$1.8 trillion in 2013 and \$1.9 trillion in 2014, barring any macroeconomic shocks (Gautam, 2014).

It is estimated that 1.2 million Nepalese are working in 107 countries, excluding India where there are more Nepalese workers. In the Gulf region alone about four Hundred thousand Nepalese are working in Bahrain, Kuwait, Saudi-Arabia, Qatar and the UAE. The demand was so high that Nepal has to start a consular agency in Qatar to supplement the effort Embassy in Saudi-Arabia. Malaysia first allowed its domestic job market to Nepalese in 2001, and it is estimated that about 150 thousand workers entered the country since then. Around 70 thousand are estimated to work in Hong Kong large number are also illegally employed in the rest of South Asia (Dhital, 2007).

Human resource is another main resource of Nepal. Due to the high population growth rate of Nepal the population of Nepal is increasing day by day, therefore its role in the development of all sectors is becoming very important in recent years. But due to the lack of opportunities in our country to get employment and earning money skilled, semi-skilled and unskilled all types of people have shown incited to the foreign employment which have resulted in

substantial growth of remittance economy. In the current situation the magnitude of remittance is estimated to exceed Rs. 100 billion which is coming through the registered sources and with their friend also has to be counted it is estimated to exceed Rs 125 billion ([www.ekantipur.com](http://www.ekantipur.com).) If this present trend continuous, it is speculated that remittance economy will substitute many other sectors of the economy in coming new years.

Although foreign employment for Nepalese people has long history, foreign labor migration and remittance have emerged over the last two decades as a prominent feature of Nepalese economy. It was started before early nineteenth century when the first Nepalese traveled to Lahore to join army of Sikh Ruler Ranjit Sing; formally it was started after Anglo-Nepal friendship treaty of 1816 that recruited 3000 Nepalese solders in British Gorkha Regiment.

The contribution of remittance income is increasing year by year. The total contribution of remittance income is total 16 percent of total GDP now. According to NRB due to the increasing trend in foreign employment and the decreasing trend of export the contributions of increasing. The contribution of remittance income is 16.8 percent in the past year.

According to NRB the total of Rs 100 billion is entered from the formal medium of money transfer last year. In the first seven months of year 2063/64 about Rs 56 Billion is entered into the country as a remittance income which is larger then the same time limit of the previous year. Now there are 36 companies working under legal boundary to transfer money from forging countries. Except these companies some of the commercial bank also working as money transfers.

Most of the migrated people are from the rural sector of Nepal but due to the lack of banking facilities in the rural areas, they are sending their earning from

the informal medium up to now. In this present condition most of the migrated people of rural areas are migrated to India for work.

In this present situation remittance is playing very vital role to reduce poverty level of Nepal to the downward ranges, 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 sector, almost 80 percent of remittance money is used in unproductive sectors like home building land buying and other luxurious goods. The people are migrated to other countries for work and earn money, which certainly help to reduce poverty level of rural areas.

## **1.2 Statement of Problem**

In the 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 the case of Nepal, in this present situation of post war the one and only source of economics stabilization and growth is remittance income. According to CBS Nepal's per capita income is US \$ 640 (CBS, 2011) which is only due to the increasing trend of remittance income.

If we concentrate on the poverty situation of our country its magnitude is very large especially in the rural areas most of the people are migrated to the other countries for work and earn money for the existence of their family. In the rural areas we can find that most of the lower and middle class families are droned indebt. If any member of that family is migrated to other countries its debt is comparatively less then other families. So remittance income is playing very vital role in the economic situation.

According to NRB in the year 2003/04 remittance accounting Rs 85 billion were received in Nepal which is 40-50 percent of all foreign currency earnings. The major factors attributing to large demand labor employment from Nepal are related to higher rate of unemployment, limited employment opportunities, low salary structure in the economy, insecurity in the rural areas because of insurgency and so on (Karki, 2006). Other main reason is the willingness and enthusiasm of Nepal youth to visit and work in foreign country.

Since many years foreign employment rate is increasing, but most of the unskilled labor had gone to foreign land. Nepalese labor force seeking foreign employment having very low level of technical education and formal training. They are compelled to take risky, difficult and dirty work in foreign country. Slowly, training institute is being established in Nepal to developed skills on individuals who are seeking foreign employment so that earning capacity of the employed can be increased. But these institutions are fancy. Individual seeking foreign employment are spending large amount of money as a cost for employment. The cost includes passport fee, Medical charge and visa fee, air fare and commission to the employment agency. To finance the employment individual have to depend on several source of funds which included internal saving, borrowing from the relative, funds received from the sales of fixed assets like and animals, borrowing from money lenders etc. formal financial institutions like banks, co-operatives and finance companies do not provide loan easily. It is very difficult to arrange the funds needed to foreign employment by people coming from lower income class (Karki, 2006).

One of the stagnant situations in over all development each improper in efficient use of remittance the National Planning Commission has also given priority for improvement in foreign employment and proper use of the remittance. In this regard thus study is designed to address the following questions, which are related to remittance and it's proper economic use:

- i) What is the nature and extent of remittance in the study area?
- ii) How remittance is contributing poverty reduction in the study area?

### **1.3 Objective of the Study**

The main objective of the study is to analyze the role of the remittance in Development of the study area. Beside this, the specific objective of this study is as follows:

- i) To analyze the nature and extent of remittance income in the study area.
- ii) To measure the role of remittance on poverty reduction of the study area.

### **1.4 Significance of the Study**

Since the inception of the eight five year plan, alleviation of poverty has been accorded highest priority. Likewise several short as well as long term programs have been launched in this related field but results are not so satisfactory. In this required due to so many reasons like unemployment, insurgency weak government and faulty education system etc, large number of young manpower have migrated to foreign countries for work to the other countries. Due to this emigration of stream some how the people have been able to fulfill their basic needs. Therefore in this present time the remittance income is playing very important role to reduce then poverty in the rural areas of our country Nepal. Especially, in these areas of Nepal where there is no any job an opportunity to earn money to fulfill their basic needs except the agriculture sectors is very low. The people of the rural areas work for all the year but hardly get food even for six months.

In the past the kind of job of Nepalese workers used to get abroad was only the armed force. After the restoration of democracy international job market was open in the forty countries. Thus in the new phenomenon of entering in to the WTO efficient and skilled labor force is required and diversification in the skill and destination. This study is also concentrate on the role of remittances in



rural Nepal and guide to make it more helpful in eradicating rural poverty and increasing the capacity of the labor force.

If we try to analyze the present man power of Nepal about seventy percent of the educated man power is migrated for work. Some of them are coming back to Nepal and some of them are setting there forever but all of them are sending money from there for their family and relatives. So the remittance is coming for all over the world to Nepal where the Nepalese people are migrated. Certainly that amount of remittance is helping Nepalese economy to reduce the poverty level. When we compare the poverty level as well as the living standard of the migrated family and non migrated family the migrated people's family is in high condition of living standard or they are feeling very comfortable to fulfill their basic needs for their existence.

But most of the remittance income is use in the unproductive fields like house building, land purchasing of luxuries goods and consumption etc. therefore the remittance income is not playing actual role for the development of the country as well as the reduction of the poverty level of entire country. In other words, in this days the remittance income is using in the advantage of the migrated people and their family only. If the remittance income is invested in the productive sector like industries development activities etc., then only the effect of that remittance income can be felt by other citizens of Nepal.

### **1.5 Limitation of the Study**

The study has following limitations:

- i. The present analysis is concentrated in our particular area of Rajbara V.D.C. Pyuthan district to determine the magnitude of poverty as well as the amount of remittance income in micro level.
- ii. Price of all commodities is calculated on the current price.
- iii. Only economic variables such as income, income and wealth inequalities are analyzed.

- iv. The value of self produced goods consumption rest of the self occupied household working charge (labor charge) on their own land is ignored.

### **1.6 Organization of the Study**

This study has been organized in eight chapters. The first chapter is introductory chapter, which includes general background, statement of problem, objective of study, significance of study and organization of study. The second chapter review of literature is concerned with theoretical an empirical review. The third chapter explains the research mythology in the present study. The fourth chapter explains the foreign employment and remittance economy in Nepal. The fifth chapter explains the poverty of scenario of the study area. Seventh chapter explains the data analysis and the discussion of the study area. Summary conclusion and the recommendation are presented in the last chapter.

## CHAPTER II

### REVIEW OF LETRETURE

For review study, the researcher uses different books and journal, reviews and abstracts, indexes, reports, and dissertation or research studies published by various institutions, encyclopedia etc. It is divided into two headings:

- ) Theoretical/Conceptual Framework
- ) Review of Related Studies

#### 2.1 Theoretical Review

There are several studies for causes to emigration, its eco-consequences either they are in the form of book articles. That means study about the matter by finding the books, articles, newspaper, and thesis report etc. They 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 chapter tries to details the conceptual theoretical concept regarding the definition of remittance as well as the term poverty.

##### 2.1.1 Remittance

Remittances fall under the group of items classified as transfers in the balance of payments (BOP). In the fifth edition of the balance of payments manual (BPM), transfers are defined as offsetting entries for real sources or financial items provided, without a *quid pro quo*, by one economy to another. Putting it in another way, whenever an economy does not receive or provide recompense in the form of real resources of financial items for goods, services or financial items supplied to or received from another economy, it becomes a transfer for the purposes of BOP accounting. Two kinds of transfer are identified in the BPM: current transfers and capital transfers. While current transfers are recorded in the current account, capital transfers are recorded in the capital

account. Current transfers are categorized on the basis of the sector of the compiling economy into two main groups: general government and other sectors. General government transfers encompass current transfers, in cash or in kind, between governments and international organizations. Current transfers between other private sectors of the economy and non-residents consist of those occurring between individuals, between nongovernmental institutions or organizations (or between the two groups) or between nonresident government institutions and individuals or non-governmental institutions.

Moreover, the category of workers' remittances encompasses current transfers by migrants who are employed in other economies and considered residents there. Standard measures on remittances are based on three items in the BOP reports (as incorporated in the IMF Balance of Payments Statistical Yearbooks). These are in the form of : a) workers' remittances (money sent by workers living abroad for greater than one year); b) compensation of employees (gross earnings of foreigners living abroad for less than one year; and c) migrant transfer (net worth of migrants moving from one country to another (DeWind & Holdaway, 2005).

### **2.1.2 Motives for Remitting**

According to the literature on remittances, a number of theories have emerged to explain the causes behind the migrants' decisions to send funds (cash and goods) to their relations back home. An important research on the motivations to remit has been developed under the framework of the 'new economics of labor migration' or NELM. Families in migrant-sending areas, particularly rural communities, have indulged in migration by sending one or more members off as migrants (normally, sons and daughters of the household head), who subsequently share part of their earnings with the rural household, through remittances. The NELM theory states that imperfections in rural credit and risk markets (for instance, farmers' inability to obtain credit and insure against income loss) generate incentives to participate in migration by sending family members to work in the city or abroad. Migrants function as financial

intermediaries, substituting for the missing rural bank or insurance institution. Once they are set up at their destinations, migrants provide the family members at the origin with required capital through remittances, and with income insurance, or simply the promise to remit if the origin household suffers an adverse income shock.

Generally, the motives behind remittances can be grouped under three headings: a) the altruistic motive, b) the self-interest motive, and c) implicit family contract: loan repayment and co-insurance: (Addison 2003 & Solimano, 2004).

### **1. Altruistic Motive**

According to the altruism or livelihoods school of thought, remitting is an obligation to the household. A model of pure altruism would envisage that as migrant incomes rise, a portion of the incremental income is passed on to the origin household through remittances. Remittances are dispatched owing to affection and responsibility towards the family. The altruistic model states that sending remittances brings satisfaction to the migrant out of a concern for the welfare of his family. When motivated by altruism, remittances can vary based on the number of household members that migrate and the poverty status of the receiving household, although it has been shown that poorer households obtain a larger proportion of their total income from remittances than do non-poor ones.

### **2. Self-Interest Motive**

A divergent motivation is to assume that the migrant is primarily stimulated by an economic and financial self-interest, when sending remittances to the home country. The argument supporting this line of theory is that at every point in time, the successful migrant in the foreign country saves. Subsequently, the migrant wants to know how (in which assets) and where (in which country) to accumulate his wealth. The home country is the obvious place to invest, at least part of his assets, by purchasing property, land and financial assets, among

others. These assets could generate a higher rate of return than assets in the host country though their risk profile can also be greater.

### **2.1.3 Economic Impact of Remittances**

Remittances can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption, and poverty and income distribution. Workers' remittances flow in as a component of foreign savings and as such complements national savings by increasing the total pool of resources available for investment.

Remittances constitute an integral part of household livelihood strategies. They make a direct contribution to raising household income, while broadening the opportunities to increase income. They also permit households to increase their consumption of local goods and services. 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 where state resources have not been effective.

The poverty reducing and income distribution effect 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. In this situation, migration is taken as a response to escape poverty at home and improve the income-earning capacity of the migrant by attempting to enter foreign labor markets in richer countries. Again, remittances assist in alleviating poverty of the family of migrants in the home country by supporting their income through transfers. 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 repaid, 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 (Buch et al., 2002).

#### **2.1.4 Remittance in Nepalese Perspectives**

Remittance means the transferring money from one place to another. Generally remittance refers to that portion of migrant's earning sent from the migration destination to the place of origin. Even though they can also be sent in kind, the term the "Remittances" is normally imitated to donate monetary and other cash transfers transmitted by migrant workers to their families and communities (NRB, 2011). In this way, remittance is the amount transferred by workers abroad to support their families, back home. In the actual sense, present day Nepalese economy is characterized by "Remittance Economy". It starts from the beginning of world war in which Nepalese fought not for the protection of there homeland but in course of fulfilling duty in which they engaged. At the time of British rule in India, those days when "Nawabs" of Lucknow were watching helplessly the loot of their huge wealth by the Nepali Soldiers the possessions thus receive went to the treasury of the rules but the salary of the soldiers received formed the part to support their families. Remittance business is created by the foreign employment that has the long experiences in Nepal. For the foreign employment Nepalese people are engaged before some centuries. The Nepalese were able to the name "Brave Soldier" during the world war. Nepalese people are earned a name and fame for the fighting the victory in the war so that they are called as "Bir Gorkhali". The Nepali migrants are called "Lahure" because they employed and earned money in Lahore which is in Pakistan now. Some of the Nepalese earned money in Malaysia so they are called "Malayako Lahure". According to study conducted by prof. Seddon, Jagannath Adhikari and Ganesh Brahmine entitled "Foreign Labor Migration and the Remittance Economy of Nepal" DFID(Department for International Development of the British Government) in the year 2005, nearly Rs. 69 billion was remittance by the Nepalese working in foreign countries in 1997.Of this, nearly 40 billion came from an estimated on million Nepalese

working in India whereas the rest “Nearly Rs 29 billion) come from people working in other parts of the world.

According to NRB, the recorded value of money sent back from abroad more than doubled, from 1974/75 (Rs 90.7 million) to 1980/81( Rs 216.8 million). Over the next decade, the official value of foreign remittances increased three fold, to reach Rs.676.8 million by 1989/90. By the middle of the 1990’s the value of officially recorded remittance from abroad accounted for between a quarter and a third ([www.nepalnews.com.np/ntimes.issue/169/economy](http://www.nepalnews.com.np/ntimes.issue/169/economy))

From the past 14 years up to now, about 1.4 million people are migrated to other countries in the search of employment. Even though, the number of people migrated directly with the permission of government is one million but estimation of the same number of people is migrated from individual level and from the medium of other tired countries. According to the data provided by the Labor and employment promotion department up to the data the total of 9 lakh 63 thousands 7 hundreds and 8 people are migrated for work. According to the same data about 370061 people are migrated to Malaysia, about 264191 people to Qatar, about 186728 to Saudi Arabia, 106097 people are to UAE, 6378 people to south Korea, summing up all of 9 lakh 33 thousands people are migrated to this countries for work. Rests of the people are migrated to the other countries. The above data is from 2050B.S. to 2065B.S. Even though before 2050B.S. Also Nepalese people were migrated to the other countries but the actual data of that period is not available to the government. Similarly, the data of the people migrated for their further studies but getting employment there and sending money and migrated with there own effort is not available with the government.

According the president of Nepal Foreign Employment Association, Tilak Ranabhat, the total of about 9,78,125 people from Nepal migrated to the other countries for the search of the employment by both either through the formal or informal mediums (2008/09). According to the Foreign Employment Department Mohan Krishna Sapkota, Nepalese people are migrated to other



countries because they can get the desired work there and also they can earn more money than in the native country. According to the government data maximum of 165,000 people are migrated in the year 2062/63. The number people going to the foreign employment are not decreasing after the restoration of peace in Nepal also. In the period of one month (Jestha 2065/66) thousand people are migrated to the foreign employment. Generally same-skilled people are migrating to the gulf countries like Qatar, Malaysia, UAE, etc. and the literate and skilled labors are migrating to the countries like South Korea, Israel, Cyprus, Hong Kong etc. The government opened 107 countries for the foreign employment of Nepalese labors but labor-contact was signed with Qatar, UAE, and Korea etc. E.G. Ravenstein, (1885) was the first person to attempted forming migration theory. Ravenstein “Law of migration” is also known as, pull-push factors of migration still predominates as framework of migration analysis. According to him push factors are Land tenure system, on favorable from of Trade, Wide dispersion poverty and income, pressure of rural poverty in general and so on. Pull factors are employment, education and other facilities are opportunities known as bright light of town. On the other hand push factor pushes the migrants from their place of birth and on the other hand pull factors pull the migration to the place of destination.

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

According to the Nepal Living Standard Survey (NLSS, 1996) 23 percent of all households surveyed received remittances. In the rural areas the proportion of household receiving remittances was 24 percent. Similarly, 38 percent of all remittances came from India, (33 percent from other rural areas within Nepal and 25 percent from urban areas within Nepal). Remittances from the other countries other than India accounted from nearly 3 percent of all remittances.

In the rural areas, 40 percent come from India, 3 percent from other countries and around 58 percent else where in Nepal. Besides traditional sources like salaries and pensions of Gorkha's soldiers servicing in British and India army, thousand of Nepalese, some of them engaged 3"D" jobs (That is Dangerous, Dirty & Difficult) are sending billions of rupees back home. This has emerged as vibrant sectors of the country's economy ([www.nepalnews.com.np/ntimes.Issue169/economy](http://www.nepalnews.com.np/ntimes.Issue169/economy)).

Poverty is the well known major problem of all over the world. Especially for the countries like Nepal it is the burning issue. Various economists and institutions in the contend of the world had conducted many studies and researches but only few researchers have conducted in the concept of Nepal to fulfill the required amount of information about the role of remittance in come to reduce the rural poverty in Nepal. In this sense we can address the rural poverty is the overall poverty. Because most of the people of rural under the poverty line as already described and most of the people in urban areas like Katmandu, Pokhara and other major cities and other popular developed districts.

For this propose first of all we have to define the world poverty. The world poverty is defined by so many economists.

The first attempt to define and quantify the level of poverty of Nepal were made by National Planning Commotion (NPC) in 1976/77 through a survey on Employment income distribution and consumption patterns, the minimum subsistence level of poverty line. An income Rs. 2 per capita per day 1976/77 price was taken as the minimum subsistence level. This out of level was based on the expenditure required to buy food, giving average daily intake 2144 calories (NLSS 2003/04) and value of the lowest actual daily consumption of other basic necessities. This criterion at that time has given poverty estimated 40.3 percent (Meeting the challenges 1992). This emphasizes the existence of several poverty in south Asia block. It has used various social indicators to analyze and compare the level of poverty in SAARC countries the major social

indicators use for analysis are population, population education enrollment, income level, employment status, expenditure level etc.

Special the research report of NRB (2009) conducted by the study section of NRB entitled “Foreign employment Remittance Economy and Nepal” states that the migration of Nepalese workers started after 1816’s peace treaty between Nepal and Britain. Most of the people of that time are migrated to work in the British regiments. This study examines about the historical perspectives, present condition, the trend and dimension of Remittance, the problem associated with the remittance and its measurements, the use of the gained money as well as the skills, the investment pattern of that remittance and also the employment. It also examines about the Nepalese foreign employment system and its objective, with other questions related with the remittance. This study concludes that apart from India, about 86 percent of the people migrated to gulf countries like, Malaysia, Saudi Arab, Quarter, Dubai, etc. Rest percent are migrated to the other countries of the world. This study examine and about the role of manpower agencies in the field of foreign employment. This study concludes that even through the role of manpower agencies is obtaining work permit, government acceptance letter, tickets etc is very helpful but most of the manpower agencies of Nepal are looting the people in the name of foreign employment.

This research report found in its conclusion that the main problems of this 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 valuable financial instructions to send money from abroad, lack of required for the processing and the tickets for the foreign employment apart from those after reaching to the destination countries the Nepalese workers are financing so money problems like not getting that proper work which was promise in Nepal, retirements before the agreement time, not getting the salaries 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 overtime salary etc.

According to the analysis of data obtained from this research the main conclusions about the remittance income and its trend are as follows:

- a) Most of migrated people are from the agriculture and livestock sector (71.3 percent) where they can not get the required amount of money and food from their protection form their existence.
- b) About 26.7 percent of the people are earning less than rupees 50 thousands per year, about 28.8 percent people are getting from rupees 50 thousands to rupees 1 lakhs about 12.5 percent people are getting from rupees 1 lakhs to rupees 15 lakhs and about 31.9 percent people are getting more than rupees 15 lakhs from abroad migration.
- c) Among the migrated people most are migrated to India (24 percent), Saudi Arabia (16.3 percent), Qatar (6.88 percent), UAE (5.6 percent) and only 1 percent to 5 percent are migrated to the other developed countries like Japan, Germany, Korea and America. Most of the migrated people are in the age of between 26 year to 40 year (60 percent), 24 percent are above age 41 years and 16 percent below 25 years. This clearly shows that, most of the migrated people are young.
- d) About 80 percent of the migrated people are using their money for purchasing of house and land, for household expanses, for buying ornaments and other luxurious goods, education of their child etc. Which use unproductive sectors.
- e) Most of the migrated people are getting the salary Rs 10,000 to Rs 50,000 and some of them are getting more then Rs50,000. The study shows that about 49.9 percent are getting up to Rs 10,000, about 20.6 percent people are getting from 10,000 to 25,000 about 31.8 percent of the migrated people are getting up to Rs 50,000 about 16.2 percent people are getting more than Rs 50,000.
- f) While comparing the states of income of work of the migrated people to India with other countries it is clearly seen that, most of the people migrated to India are absolute poor, they are in the problem of fulfilling their basic need, and they are uneducated and unskilled labor

whose salary is relatively very low. Where as the people migrated to the other countries are very much educated and their salary is relatively very high comparing to those people. In other words, the people can't pay expenses other countries going to India for works.

This research report also has some suggestions and recommendations for the improvement of the foreign employment sectors as well as to rise to productivity of the remittance income. Which are like, the government should be clear about the agencies related the foreign employment, the like agency of the government, and other private sectors and non-government organization also should be clear about their foreign employment policy of Nepal. There should be a good cooperation between ministry of finance, Nepal Rastra Bank (NRB), department of Labor, Central bureau of Statistics (CBS) and Depart of Tourism. There should be a strong policy to increase the investment from that remittances income in Nepal. The government should open the labor offices in the countries like Malaysia, Qatar, UAE etc, where more than 5,000 thousands Nepalese people are migrated for work. The present system of brokers in the foreign employment sectors should be replaced. There should be strong observation to the foreign employment sector agencies about whether they are following all the rules and regulations of the government as well as “Foreign Employment Act 1992”, which has fixed the minimum wage is US \$ 125. There should be foreign employment information centers in all the regions of the country to give actual suggestions and recommendations for those who are in foreign employment interested.

## **2.1.5 Linkages of Remittances**

### **1. Remittance and Economic Development**

The official recorded remittances are much lower than the actual remittances that take place through official and unofficial channels. Remittances through informal channels could add at least 50 percent to the globally recorded flows (World Bank, 2006, 85). Despite this underreporting, many studies have highlighted the important nexus between the international migration, remittances and development. This chapter summarizes the existing studies,

which examine this nexus, especially in the context of developing countries. Overall, literature provides sufficient evidence to support the hypothesis that remittances are beneficial to the recipient countries and can significantly affect poverty and development. However, most of the studies are survey-based and very few empirical studies exist which are able to quantify the impact of remittances on poverty levels in the developing countries.

Several studies have pointed out that, the more inflow of remittances, the healthier the recipient country will be. In times of economic distress, remittances may actually be countercyclical to the extent that migrants are motivated by altruism and send more money home. The stability of these inflows also opens up an opportunity for developing countries to borrow at lower cost in international capital markets by securitizing future flows of remittances (International Monetary Fund (IMF, 2007). As remittance receipts are widely dispersed, they may not cause the real exchange rate to appreciate.

Pant (2008) argues that, 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. Migrants provide different forms of capital that have developmental impact on their countries of origin. These impacts may be in the form of financial, social, cultural, political and/or economic impacts. The impact can be examined at both micro level, like in case of households, and macro level like impact on GDP growth, poverty and development.

## **2. Link between remittance, consumption and investment**

Many studies examine the relationship between remittances and investments in the home countries. For developing countries remittances are large relative to other financial flows. They find that, in last 10-year period, remittance flows have become as large as foreign direct investment (FDI) flows to developing countries, amounting on an average of about one third of export earnings, more than twice the private capital flows, almost 10 times official capital flows, and

more than 12 times official transfers. In light of this, developing countries should capitalize this huge amount of remittance inflows and use it for investment to promote development and inclusive growth. Empirical evidence in this regard shows that the inflow of remittances by the migrant workers and professionals from a developing country helps in increasing the investment activities in the recipient country. Nearly 30 percent of remittances are used for the purpose of investment and construction of house in Ghana. If the primary income earner remains at home and continues to maintain the household, earnings from migration are more easily diverted to savings and investment. By using 1988 survey of 1,526 Egyptian migrants, McCormick and Wahba (2001), attempt to find the probability of a migrant becoming an entrepreneur/employer/self employed person or a business owner upon his/her return from working abroad. Even though the results are different for literate and illiterate migrants, the general conclusion derived was that two factors – namely, time spent working abroad and total amount of money saved abroad – have positive and significant effect on the likelihood of migrants becoming entrepreneurs on their return to the home country.

Adams (2005a) examines the impact of remittances on the spending behavior of households for consumption and investments, in both rural and urban Guatemala. The study takes the data from a 2000 survey of 7,276 households and compares the marginal budget share of remittance receiving and non-remittance receiving household on six consumption and investment goods. The findings show that the households receiving international remittances spend more at the margin on investment goods, especially, on housing and education, and spend less, at the margin, on food items. Similarly, Yang (2004) analyses how the exchange rate shocks during 1997 due to the Asian Financial Crisis affected the expenditure pattern of 1,646 Filipino households receiving international remittances. Of the several findings in this paper, one of its findings shows that favourable exchange rate shocks (i.e. more remittances income as a result of favourable exchange rate shocks) increases the investment

of remittances receiving household in entrepreneurial activities specifically in transportation, communication and manufacturing enterprises.

### **3. Link between remittances, poverty and welfare**

The flow of remittances remains more or less stable irrespective of the economic condition of the recipient country.<sup>10</sup> Remittances are expected to reduce poverty as they may be directly received by the poor. The impact of remittances on the reduction of poverty can be understood from both the micro and macro perspectives. However, to capture this impact, there is no formal framework. But it is evident and it is reasonable to assume that the amount of transfer done by the migrants to the family members back home do have some overall impact in reducing the poverty. Using survey of long-term legal immigrants find that majority of the international migrants (69.7 per cent) send their money in order to meet “the essential needs of the family”. Very few studies explicitly address the link between remittances and poverty. Adams and Page (2005) used household surveys of 71 developing countries to examine the impact of international migration on poverty. Controlling for the level of income, income inequality, and geographical region, they find that international remittances have a strong statistically significant negative impact on poverty. A 10 per cent increase in the share of remittances in a country’s GDP, lead to a reduction of 1.6 per cent of people living in poverty. Campos and Palomo (2002) find that, in 2000, remittances helped reduce the national poverty rate by 4.2 per cent in El Salvador as well as reduced the Gini coefficient from 0.55 to 0.53.

### **2.2 Review of International Empirical Studies**

Vikram (2005) examined the different channels through which remittances can affect economic activity. The study does not clearly support the short term stabilizing effect on consumption, however the longer term economic effect of such flows seems to be ambiguous. Catrinescu *et al* (2006) explored that remittances exert a weakly positive impact on long term macroeconomic



growth. Furthermore the study also supports the idea that development impact of remittances enhances in the presence of sound macroeconomic policies and institution.

Fayissa and Nsiah (2008) argued that remittances enhance economic growth in countries where financial systems are not very strong by providing an alternative way to finance investment and help to overcome liquidity constraints. Iqbal and Sattar (2005) shows that real GDP growth is positively correlated to workers' remittances during 1972-73 to 2002-03 and workers' remittances emerged to be the third important source of capital for economic growth in Pakistan.

Quayuum, Javid & Arif (2008) has carried out a study on *"Impact of Remittances on Economic Growth and Poverty: Evidences from Pakistan."* The study focused on the importance of remittances inflow and its implication for economic growth and poverty reduction in Pakistan. By using ARDL approach we analyze the impact of remittances inflow on economic growth and poverty in Pakistan for the period 1973-2007. The district wise analysis of poverty suggest that overseas migration contributes to poverty alleviation in the districts of Punjab, Sindh and Balochistan however NWFP is not portraying a clear picture. The empirical evidence shows that remittances effect economic growth positively and significantly. Furthermore the study also finds that remittances have a strong and statistically significant impact on poverty reduction thus suggesting that there are substantial potential benefits associated with international migration for poor people in developing countries like Pakistan. So the importance of remittance inflows can not be denied in terms of growth enhancement and poverty reduction that consequently improves the social and economic conditions of the recipient country.

Maelan (2010) has argued that migrants remittances contribute significantly to poverty reduction in developing countries and that their effect is all the more important that they are sent to countries which are more vulnerable. Since migrants remittances represent an important source of income for households

living in home countries, these flows may have an effect on poverty in developing countries. Several microeconomic studies have shown that remittances often play an insurance role for migrants' families, but no analysis studied the stabilizing role played by remittances at the macroeconomic level. This specificity could be all the more determinant for developing countries that they are characterised by macroeconomic instability, especially trade instability based on their dependency on basic products. While the negative effect of instability on development is largely recognized, to our knowledge, instability has not been taken into account at the macroeconomic level in the debate on the role played by remittances in development of home countries. Using a panel sample of 65 developing countries over the period 1980- 2005, they first find that remittances have a significant and positive effect on poverty reduction in countries of origin. Furthermore, the effect of macroeconomic instability, and more precisely of trade instability and of climatic instability on poverty in home countries, is all the more attenuated that remittances are important. This result about the stabilizing role of remittances in developing countries confirms the microeconomic theory according to which remittances can play an insurance role for migrants' families.

### **2.3 Review of Nepalese Empirical Studies**

Karki (2006) in this dissertation, “*Foreign employment and Remittance Economy of Nepal, A case study of Dhuseni V.D.C, Illam District*” has attempted to identify the impact of foreign employment and remittance in rural community in the study area. Moreover he also tried to identify the past trend of foreign employment and remittance of Nepal, Socio-economic charters 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. His study is based on both the primary as well as secondary data. Primarily data were collected from the publication of CBS, NPC, and WB, etc for the purpose of comparison of the composition of foreign

employment and remittance in his study. He has analyzed the collected data by using simple statistical like percentage and ratio.

Thus, the study has concluded that the main destination of Nepalese worker is Gulf countries and Malaysia. Sixty percent of total are in Gulf countries. The main countries are Saudi-Arabia, Qatar, UAE and Malaysia etc. The remittance is increased in the year 2003/04 by 36% while base year was 1994/95. The contribution of remittance to GDP in 2003/04 was 11.44 percent and the share of remittance in convertible foreign exchange reserve was accounted by 46.9% in 2003/04. The average cost for foreign employment was Rs.93.25 thousands. It ranges between Rs.45 thousand minimum to Rs150 thousand maximum. Source of financing for foreign employment for 90.25 percent migrant workers was borrowings. The major sector of employment for Nepalese workers was building construction (41.66 percent) and Industry (26.38 percent). The Nepalese workers average stay duration was 2.66 years. Most of them respondents of that study area want to go again because of the unemployment (70.85 percent) and conflict (36.11 percent). Out of causes maximum respondents of Dalit/ Magar were suffering from the conflict problem. The study summaries that remittance has increase their household economic and social indicators after returning from foreign employment. Around 55 percent respondents said that remittances have changed their economic status and standard of living and around 72 percent said that it has increased their social attitude and around 90 percent respondent's skill. But around 36 percent respondents said that economic status has been same, 44percent have remained same standard of living, and 27 percent said that it remained their social attitude same and 9 percent said that remained same level of skill after returning from the foreign employment. Around 77 percent respondents improve their clothing and 33 percent increased their cash available according to the field resources. But around 15 percent respondents have worsened their education of children, health of family members and cash available and around 36 percent respondents have same level of education of children and health of

family members, around 47 to 50 percent have same level of cloth and cash available.

The study has some recommendations for the betterment of the foreign employment sector. These are, policy should be made to solve the conflict situation, create good environment and provided sufficient technology as well as market, give more information to the respondents, technical training institution should be established in rural areas, the required funds should be provided by the government sector for the people who can't afford foreign employment should be declared by the government etc.

Tiwari (2012) has carried out a study on "*Role of Remittance in Development: A Case Study of Devdaha VDC, Rupandehi District.*" The main objective of the study is to analyze the role of the remittance in Development of the study area. Beside this, the specific objective of this study were to analyze the nature and role of remittance in the Nepalese economy, to examine general poverty scenario of the study area and to analyze the nature and extent of remittance income in the study area.

From the study, it was found that among the returnees from foreign employment only 35 percent of the workers are using the gain skill in abroad employment where as the rest 65 percent of the respondents have not benefited from that gain skill in foreign employment. It is because of lack of technology, lack of capital, lack of market and lack of positive social attitude etc. The respondents of this VDC were not utilized their remittance caused by conflict and other non-availability of sizable investment funds for investing in productive sector of the economy sector. The respondents of this VDC said that remittances have increases their household economic and social indicators after returning from foreign employment. Around 81.73 percent respondents said that remittance have increased their economic status, 54.8 percent of respondents said that remittance income have increased their standard of living, around 59 percent of the respondents social attitude have increased due to remittance income and around 67.3 percent of the respondents increased their

skills. But around 4 percent respondents said that economic status has been same, 39 percent have remain same standard of living, 35 percent said that their social status have remain same and 33 percent said that remained same level of their skill after returning from the foreign employment.

Shah (2014) has carried out a study on *"Role of Remittance in Development: A Case Study of Rauteli Bichawa VDC, Kanchanpur District."* The main objective of the study is to analyze the role of the remittance in Development of the study area. Beside this, the specific objective of this study were to analyze the nature and role of remittance in the Nepalese economy, to examine general poverty scenario of the study area, to analyze the nature and extent of remittance income in the study area and to measure the role of remittance on poverty reduction of the study area.

From the study, it was found that the larger amount of remittance income has been used for household expenses (37.5 percent), loan repayment (29.8 percent), investment only 16.34 percent and social spending (5.76 percent). Minimum part of remittance has been used into productive sector like as land purchase (20 percent), bank deposit (14 percent) and other small business and investment (10 percent). In this case, the respondents from Chhetri are forward. Among the returnees from foreign employment only 35 percent of the workers are using the gain skill in abroad employment where as the rest 65 percent of the respondents have not benefited from that gain skill in foreign employment. It is because of lack of technology, lack of capital, lack of market and lack of positive social attitude etc.

Gyawali (2014) has conducted a study on *"The Socio-Economic Impact of Remittance: A Case Study of Banganga VDC of Kapilvastu District."* The main objective of this study is to describe the causes of foreign employment and examine the socio-economic impacts of the foreign employment and remittance income in the study area. The study comprises 105 migrants- households representing three wards of the VDC from different caste and ethnic groups.

The study found that the majority of the village people do not have sufficient land, despite being farmer. All the represented households are engaged in subsistence farming. Foreign employment or labor migration has been an important source of income in the village to maintain livelihood of the household. Remittance is basically used for day to day food and other household requirements, pay debt, buy new land and houses. There is no investment in the productive sector. Most of the consequences of remittance are positive and some are negative as well. Improved living standard, increased socio-economic status of both male and female, and consumption pattern show positive consequences. Similarly, increase in divorce rate, conflict and crime, alcoholism are the negative impacts of remittance as well as foreign employment.

**Trends in Foreign Employment:** There was little information on the number of Nepali migrant workers and their contribution to the national economy until a survey was undertaken in 1997. According to the results of the survey, the number of migrant workers at that time was estimated at 100,000 working in 25 countries except India and sending home Rs. 29 billion in remittance. Today, this number exceeds 200,000 in annual departures to more than 105 countries. The only country banned for Nepali migrant workers is Iraq where militants murdered 12 Nepali migrant workers looking for jobs. India is not included in the official figures for a number of reasons, the most significant of which is the open border that requires neither passport nor visa for the Nepali and Indian nationals. Since there is no system of registration, the flow of migrant workers in between Nepal and India is at best guess estimate (Brahmin, 2009).

The impact will be severe if the present trend continues as remittance contributes significantly to the household income. According to the Second Nepal Labor Force Survey, every household received remittance income of Rs 65,755 in 2008. This reality is reflected in the data that show that the incidence of poverty has declined from 42% in 1995-96 to 31% in 2003-04, a decline of almost 11 percentage points.<sup>15</sup> This decline is largely attributed to foreign employment and remittance income, which makes nearly 20% of the GDP. Other factors responsible for the decline in poverty rate are, in addition to

remittance, fast growing urbanization, increase in average wage in the agriculture sector, and increase in the number of economically active population.

During 1995-96, percentage of urban population below poverty line was 21.6% which fell relatively sharply to 9.6% by 2003-04, as shown in the figure 7 below. The population below poverty line in rural areas decreased to 34.4% from 43.3%. In addition, poverty gap in Nepal is estimated to be 7.6% and squared poverty gap as 2.7% (Ministry of Finance, 2009).

A study in 2002 by the Nepal Rastra Bank on the impact of remittance was undertaken in 10 districts across the country with a total of 160 households. The study found that the remittance income went invested mainly on household purposes purchase of land, purchase and maintenance of new houses, paying off loans, deposit cash in bank and finally invest for business purposes. Some returnee migrants have also invested their savings in business ventures. For example, some hotels and industries in operation in Pokhara valley has been possible as a result of the remittance income.

As a result of this study, the central bank began formulating and implementing policies focused on remittance. Since 29 March 2009, it has been issuing licenses to private sector organizations for remittance transfer business. It was agreed that the private firms will be allowed to charge 15 paisa per US dollar thus transmitted. It was also provided that the commercial banks would provide a loan of up to Rs. 100,000 to the prospective migrant workers (Sharma and Brahmin 24 Sep 2009).

The flow of remittance is voluminous in small economies of some districts with high volume of remittance. According to a news report, people in Myagdi district in western Nepal have problems getting their cash payments on the eve of the Dasain festival. The daily cash demand in the district exceeds Rs. 50 million but the banks have been able to pay only Rs. 500,000 a day. It is estimated that nearly 80% of the household depend on remittance income. Myagdi district receives Rs. 80 million in monthly remittances sent by migrant workers from the district.<sup>16</sup> In another instance, Gulmi district received Rs.

12.5 million in daily remittance during the Hindu festival of Dashain in September 2009 (Kantipur 24 Sep 2009).

Foreign labor employment in Nepal started after the Nepalese army headed by Kajeer Amar Singh Thapa was defeated by the British East India Army in 1814. The convention (May, 1815) between Kajeer Amar Singh Thapa and Major General Ochterlony of East India Company came to consensus that Nepalese deserved to join the British, East India Company (Sanwal; 1965). Because of that provision the Nepalese emigration process was initiated for military purposes to outside the country, but as invisible emigration to India as initiated in mind 1800s. Peasantry in eastern hilly parts of India and for eastern hilly parts of India was encouraged by promoting tea plantation and settlement in the forested area (Dixit; 1997). During this period Nepalese migration to India and Nepal in 1950 promoted free movements between two countries and the previous agreements were further consolidated.

It was after the establishment of democratic system in Nepal in 1990 that Nepal integrated herself to the world and then diversities dimension of emigration occurred. Enactment of foreign labor employment act 1985 realized the importance of emigration through unofficial channel and recognizes the future of foreign labor employment. Search of employment outside the country was entrusted to manpower agencies.

The country's balance of payments (BoP) surplus stands at Rs 11.78 billion in the first eight months of the current fiscal year. The BoP has declined due to widening trade deficit, fall in remittance and foreign direct investment. During the same period last year, the country had reported BoP surplus of Rs 81.09 billion.

The country's trade deficit has increased by 25.5% whereas remittance growth rate has declined by 19.6% percent this year. Nepali migrant workers sent home Rs 266.08 billion during the review period. The remittance growth rate had increased by 34.7% during the same period last year.

According to Nepal Rastra Bank (NRB), the imports of merchandise and services have increased significantly compared to last year. The country's trade



deficit has increased by 25.% to Rs 309.5 billion. Exports have declined by 14.1% this year (Economic Report; 2013, NRB).

The remittance income has been growing over the years, as shown in the table 2 below. Increased from Rs. 4,722 million in 2002-03 to Rs. 18,301 million in 2009-10. This figure includes remittances sent through formal banking channels only. There is no data on the remittance by gender. A study in 2007 noted that the contribution of women to total remittance inflow amounts to more than 10%. This calculation is mainly based on the assumption that women make nearly 10% of the migrant workers, their contribution to remittance income least their share in the total number of migrant workers. The same study found that high propensity of saving among women and their greater participation compared to men in migration high income countries like Hong Kong, Japan, United States and United Kingdom meant relatively higher contribution to remittance (Nepal Institute of Development Studies, 2007).

According to Ministry of Finance record the upsurge in remittances has led to a surplus in the current account, thereby strengthening the overall balance of payments (BoP) position. The share of remittances in total current receipts, for instance, soared from 33.6% in 2002/03 to 50.8% in 2008/09 as shown below. contribution to the GDP has also been substantial. The overall BoP posted a significant Rs. 37.7 billion in 2009-10 compared to a lower surplus of Rs. 29.7 billion in 2008-09. current account also recorded a massive surplus of Rs. 41.4 billion compared to a surplus Rs.23.7 billion in 2008-09. This was largely attributed to the rise in net transfers by 36.5%. Under transfers, workers' remittances increased by 47.0% in 2009-10 compared to a growth 42.5% in the previous year. In mid-July 2010, the gross foreign exchange reserves stood Rs.280.0 billion, an increase of 31.7% compared to the level as at mid-July 2009. On the US dollar, gross foreign exchange reserves went up by 15.6% to US\$ 3.59 billion in mid- 2010. The current level of reserves is adequate for financing merchandise imports of 11.8 months, and merchandise and service imports of 9.7 months.

Nepal is third among the countries receiving the highest proportion of remittance in terms of gross domestic product (GDP) with the country

receiving remittance worth 25 percent of GDP in 2012, according to a report made public by the World Bank (WB). African country Lesotho had also received remittance of 25 percent of GDP in 2012. Nepal was fifth in the list in 2011.

Nepal received remittance worth 23.1 percent of GDP in the fiscal year 2068/69 and 22.1 percent in 2069/70, according to the economic survey. The country had received Rs 359.60 billion of remittance in 2068/69 when GDP was Rs 1.53 trillion while the figure was Rs 434.58 billion in 2069/70 when the estimated GDP was Rs 1.71 trillion. Tajikistan topped the list in 2012 at 48 percent followed by Czech Republic at 31 percent while Moldova is fourth at 24 percent. WB estimated the remittance inflow of developing countries to grow by 6.3 percent and reach US\$ 414 billion in 2013. China and India received around one-third of the remittance income of developing countries in 2012, according to WB (<http://www.karobardaily.com/news/2013/10/nepal-third-in-receiving-remittance-in-terms-of-gdp>).

As summary it is clearly shown that national GDP growth rate is directly related to the various factors like total saving of the economy and total investment of the economy. On the other hand, saving is determined of the investment, without investment, which the economy can't get higher GDP growth rate. The investment of the country like Nepal is directly dependent on the remittance invested into the economy. Therefore we can say that the remittance is the major factor of development of country like Nepal.

There is gap between saving and investment, thus utilization of remittance in investment is a great need of today e.g. Development process et.

In the world economy, remittance plays vital role and in the developing countries it has it's own value. To go further the economy of there countries has been gradually changing into remittance economy.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter deals with methodology consisted of research design, selection of study unit, and source of data, data collection procedure, data processing procedure, technique of analysis and limitation of methodology.

#### **3.1 Research Design**

This is a case study of Rajbara VDC. It is a micro level study. This is analytical as well as descriptive type of research design. The main object is to review the role of remittance income, therefore the required data to meet the objectives of this study, are taken from the primary as well as secondary sources. The simple statistical as well as scientific tools are used to describe and analyze the results.

#### **3.2 Nature and Sources of Data**

The study entitled “Role of Remittance in Rural Poverty Reduction” is the case study of Rajbara VDC of Pyuthan. Basically, the study is based on the primary data. It also studies for those who are far from those family members. The required data is collected form the field study of the researcher himself as well as some data about remittance is taken form the secondary sources which are both published as well as unpublished. The required data are collected by using the questionnaire method. The collected data are processed according to the need of study.

#### **3.3 Sample Selection Procedure**

In Rajbara VDC, there are 845 households and total population is 5093. Among them the working age population is only 2148 (the Population aged between 15 years to 60 years is categorized into the working age population). Among the total number of households total of 373 households are migrated to foreign country in 2069/070 BS. From 845 total households in the study area, 104 households were selected using proportional size with sampling method. In

order to make the study meaningful as well as advanced in the limited time period a larger sample size was not feasible. The sample is more than 27.88 percent of total households, which can be considered as the representative of the universe of study. The strata are the nine wards of the VDC; the selection of simple households in each ward is made proportional to the size basis. The size is the total number of the households in each ward. This survey was conducted from November, 2013 to January 2014. The selection of sample size is given in the following table.

**Sample size of represents' household of Rajbara VDC**

Ward No.	Total number of Households	No. of Emigrant Household	Number of sampled households
1	54	42	12
2	56	45	13
3	102	65	17
4	100	43	12
5	97	24	7
6	150	32	9
7	108	69	19
8	91	29	8
9	87	24	7
Total	845	373	104

*Source: Field Survey, 2014.*

### **3.4 Data Collection**

#### **3.4.1 Primary Data Collection**

All the selected 104 households of returnees' respondents were interviewed and relevant information was collected through the medium of questionnaires. The questionnaires included open and close ended questions. Personal interview was taken by researcher and the questionnaires were field. Cross checks, editing and indirect questions were also put some times when the answers were through to be unrealistic and irrelevant. The format of the questionnaire is given in the appendix.

This study is mainly based on primary data by using different methods of data collections.

### **i. Questionnaire**

The questionnaire is the most important step of the data collection in this study. Questions had been designed in the circumstance of individual and reference statement of interviewers in which the demography, composition of the household social and economic condition, number and age of all household members has been included. The information regarding the livestock, landholding size, occupation, education and other facilities were also obtained. Other information including migrations volumes, causes and impacts remittances skills and sources of investment about foreign employment were also gathered.

### **ii. Face to Face Interview**

An interview is a major support of the data collection. Interview was taken among the various classes of people. In this case, two methods of question had been adopted; first method of structured and second unstructured.

### **iii. Observation**

Some data were taken on the support of observation. Observations have been physical and cultural environment especially details of the respondents.

## **3.4.2 Secondary Data Collection**

Export primary data some other data related to the study had been collected from the secondary sources also, which can be official as well as unofficial. The relevant data are compiled from publication of the National Planning Commission Secretariat, Central Bureau of static (CBS). Budget speeches of Government of Nepal, Economic Survey published by Ministry of Finance, Nepal Living Standard Survey by CBS, Economic Reports by NRB, Other Quarterly and annual publications of NRB, different record of department of labor GON and VDC profile other periodical, Journals, books magazines, seminar papers reports of research centers data and information from donor agencies like WB, ADB, IMF, UNDP etc.

### **3.5 Data Analysis**

While analyzing the data, the available data from the various sources is collected, classified and tabulated to meet the needs of the study. Data processing is done with the help of a mathematical tools and technique. Hence, various method of analysis such as graphical presentation, tabulation are made for the purpose of analysis. Data are studied comparatively to get required results about of that remittance income and the effect of that remittance income in the research area.

## CHAPTER IV

### POVERTY SCENARIO OF THE STUDY AREA

#### 4.1 Poverty Scenario

Poverty is the condition described as the unavailability of the basic requirements such as food, clothes, shelter etc. The person who is not capable of attaining the daily basic needs and minimum requirements can be rated poor. In the context of Nepal many people are living under the poverty line i.e. are not getting their basic requirements. It is clearly seen that the magnitude of poverty is large in Nepal.

Rajbara VDC, many people are living below poverty line. These people are not able to fulfill their basic needs. Their health status is not that satisfactory. Their children are not getting the proper opportunity for education. They are having a low level of living standard.

In the study area, remittance income has an effective approach in reducing the poverty. The living standard of the people is gradually changing. People are now getting the proper health facilities and their educational status is also gradually increasing. The income of the family has been raised up, ultimately uplifting the living standard of the people living under the poverty line.

#### 4.2 Remittance Status

In Rajbara VDC, there are altogether 845 households. Among them, 373 people are migrated to foreign employment. Out of 373 people, 104 migrant households were taken as sample. Remittance flow during the period of January 2013 to December 2013 among 104 sampled households have been presented in table 4.1.

**Table 4.1**  
**Remittance flow in 2013 to 2014**

Months	Remittance flow	Average ( $\frac{\text{Total remittance}}{104}$ )
January	1260000	12115.38
February	1114000	10711.54
March	1362000	13096.15
April	1500000	14423.08
May	943000	9067.31
June	980000	9423.08
July	1126000	10826.92
August	1225000	11778.85
September	1315000	12644.23
October	1055000	10144.23
November	1144000	11000.00
December	1260000	12115.38
Total	14284000	11445.51

*Source: Field survey, 2014.*

From table 4.1, it is seemed that average remittance flow is highest (i.e. Rs. 14423.08) in the month of April and lowest (Rs. 9067.31) remittance flow is in the month of May. During the year, the average remittance flow is Rs. 11445.51. Since the majority of the people are unskilled and migrated to gulf countries as labour, they have only Rs. 11445.54 remittance in average.

### **4.3 Income Status**

Majority of the people in this VDC are largely involved in the agriculture while others are involved in other sectors such as trade, service, business etc. whereas the major contribution in the economic status of this VDC is due to the remittance income coming from peoples migrated abroad. The general income scenario of the study area before the respondents actually migrated s presented in the following table:



**Table 4.2**  
**Income status of the people from Rajbara VDC before and after going**  
**abroad**

Cast/ Ethnic	Earning per month (in thousand)											
	Below-5		5-10		10-20		20-50		50-100		Above 100	
	Before	After	Before	After	Before	After	Before	After	Before	After	Before	After
Magar	16	6	17	29	7	10	2	10	4	2	-	1
Dalit	10	2	6	16	9	11	7	11	6	6	-	1
Brahmin	5	2	4	5	1	2	-	2	-	1	-	-
Chhetri	1	-	1	1	-	1	-	1	-	-	-	-
Others	2	-	3	4	1	2	1	2	-	2	-	-
Total	34	10	31		18	26	10	26	10	11	-	2

*Source: Field Survey, 2014.*

The above table 4.2 presents the overall scenario of the people in Rajbara VDC, based on the cast of the households. It is clearly seen that 34 out of total household were receiving less then Rs. 5000 per month. Out of total of 104 households 31 stated that income to be between 5 thousands and 10 thousands.18 households were found to have their income to their monthly income between 10 thousands to 20 thousands.10 of the households stated their income to be in between 20 and 50 thousands regularly each month. The number of households receiving the regular monthly income of more than Rs 50 thousands was 10.

The above table also gives the castes wise scenario of the income status of the people. Magar and Dalit were found to be possessing better economic status. Households receiving more then Rs 20 thousands monthly were entirely from Dalit and Magar. People belonging to the castes Brahmin, Chhetri and others were found to be possessing lower income status as compared with Dalit and Magar.

After their migration, the remittance they had brought have actually changed their level of income, their living standard, education, health, etc. and in the overall scenario the level of poverty of the study area has decreased.

The table 4.2 also explains the increased income level the households after receiving the remittance income, People are getting higher amount of income per month due to the remittance income they are actually receiving. There were no households receiving more than Rs. 1 lakh monthly previously but there are 2 rows now. Households receiving in between 50 households to one lakh increased from 10 to 11. The households receiving in between 20 to 50 there were 10 which has been increased to 26. Households getting in between 5 to 20 households have increased to 49 from 55. While the number of households receiving less than 5 thousands has been decreased to 10 from 34. This figure clearly shows the rise in the level of income the people after receiving the remittance in the Rajbara V.D.C.

From table 4.2, it is clearly shown that the income status of the respondents is increased. Before going abroad, 34 respondents were found having income per month below 5 thousand whereas only 10 respondents were found after getting remittance income. Similarly, no one respondents were found having above 1 lakh income per month before going abroad whereas 2 respondents were found having 1 lakh income per month after getting remittance income. So, it can be concluded that income status of the respondents increased after getting remittance income.

#### **4.4 People's Approach to Education**

As compare to the district level of literacy rate it is quite higher in Rajbara V.D.C. showing 79 percent of literacy which is only 68 percent in district level. The approach of the people to the education has increased and the literacy rate is increasing. The increased rate of remittance income also has increased the approach of people to the privet education institution which is comparatively expensive. The following table shows the education status of the people of the study area before the respondents were actually abroad.

**Table 4.3****Education status of the Rajbara VDC (6 Years before)**

Educational status	Male		Female		Total Population	Total Percent
	No	Percentage	No	Percentage		
Illiterate	63	34.7	103	48.3	166	42.2
Literate	29	15.9	38	17.8	67	16.6
Education up to IA	68	37.3	59	27.7	127	32.1
Above IA	22	12.1	13	6.2	35	9.0
Total	182	100	213	100	395	100

*Source: Field Survey, 2014*

The above table 4.3 presents the educational status of the people of the Rajbara VDC before 6 years. It present the literacy rate was 57.9 percent. It also presents that the no. of people having above IA education is only 8.86 percent. People educated up to IA level were 32 percent and people only literate well 16.96 percent this table clearly shown that the literacy rate among the males is higher then that of the female.

**4.5 Present Status of Education**

During the period of 6 years, the educational status of Rajbara VDC has been raised up and the literacy rate is increased people have got the higher level of approach over the education. It also has ultimately helped to uplift the living standard of people the following table presents the change the educational status of the people.

**Table 4.4****Present status of education of the Rajbara VDC**

Educational status	Male		Female		Total Population	Total Percent
	No.	Percentage	No.	Percentage		
Illiterate	45	17.30	56	19.31	101	20.59
Literate	57	21.92	68	23.44	125	21.44
Education up to IA	117	45	136	46.89	253	43.39
Above IA	41	15.76	30	10.34	71	14.58
Total	260	100	290	100	550	100

*Source: Field Survey, 2014*

The above table 4.4 shows that out of 550 sample population 101 are illiterate, showing a table of 18.37 percent illiterate. People who are only literate are 125

giving a total of 22.73 percent as only literate. There are 253 people educated up to IA level giving a total of 46 percent. Total people having IA above education are 71 only showing a total of 12.90 percent.

From table 4.3 and 4.4, it is clearly shown that education status of the respondents' family increased. Total illiterate members were found 166 before going abroad whereas it was decreased to 101 after going abroad. Similarly, literate people were found 67, education having upto IA were found 127 and above IA were found 35 only before going abroad. Whereas the literate people were increased to 125 from 67, education upto IA were found 253 from 127 and above IA were found 71 from 35 after going abroad. Hence, from this analysis, we can conclude that the remittance income has played a significant role in educational status in the study area.

#### **4.6 Health Status**

The flow of remittance in the study area has increased the peoples approach to the health facilities. There is a health post being run by the government and 2 private medical clinics providing the health services to the people in this VDC six years back. The overall health status of the people six years back is presented in the following table.

**Table 4.5**  
**Health status of the people of Rajbara VDC (6 Years Back)**

People receiving health facilities from	Number of people	Percentage
Health post	191	48.4
Private clinics	109	27.6
Others	43	10.8
Not getting any health facilities at all	52	13.2
Total	395	100

*Source: VDC Profile, 2014*

The above table presents the data about the receiving health facilities from various sectors like health post, private medical firms and others. The above table shows that 48.4 percent of the total people were getting health facilities from the health post. 27.6 percent of the people were getting the health service from the private medical firms. While people receiving health services from the

place out of the VDC were 10.8 percent. 13.2 percent of the people were not receiving any health facilities at all.

**Table 4.6**

**Present health status of the people of Rajbara VDC**

People receiving health facilities from	Number of people	Percentage
Health post	180	31.0
Private clinics	257	44.0
Others	128	21.9
Not getting any health facilities at all	18	3.1
Total	583	100

*Source: Field Survey, 2014*

The above table 4.6 presents the present health status of the people of Rajbara VDC. This table clearly shows that the approach of people to the health facilities is gradually increasing. Only 3.1 percent are receiving the health facilities which decreased by 10.1 percent in the period of six years. The number of people approaching for better health facilities outside the VDC has increased by 11.1n percent and the approach of people to the health facilities provided in VDC by the private medical post has increased by 16.4 percent. This table clearly shows that 96.9 percent of the people in this VDC are in approach of health facilities.

**4.7 Conclusions**

This chapter shows the scenario of the poverty in the study area and has also deled with the reduction of poverty in the period of six years. According to the VDC profile 2006, 31 percent of total people in this VDC were living under the poverty line which has been decreased to 34 percent according to the VDC profile 2009. The flow of remittance income among the people in this VDC has also increased. The approach of the people over the education and the health. The regularly monthly income of the people has been raised. Not only has these the approach of people on the communication, drinking water, transportation, housing also been rose. Thus it is clearly seen that the level of poverty in the area has decreased due to the flow of remittance.

**CHAPTER V**  
**SOCIO-ECONOMIC AND DEMOGRAPHIC FEATURES OF THE**  
**STUDY AREA**

**5.1 Geographical Background**

Pyuthan district lies in Rapti zone, mid-western part of the country. Before the unification of Nepal, out of *choubise rajya*, Pyuthan was a powerful state. It is situated and 82<sup>0</sup>30' and 80<sup>0</sup> east latitude and 27<sup>0</sup>55' to 28<sup>0</sup>25' north longitude. It is surrounded by Gulmi district in the east, Dang and Rolpa district in the west, Dang and Arghakhanchi districts are in the south. It is 305 to 3659 meter from sea level. Its total area is 1365 sq. km. The main attraction of Pyuthan district is Sworgadwari which is situated at 7000 ft from sea level covering 2600 ropani land area.

Out of 49 VDCs of Pyuthan district, Rajwara VDC lies in the far-north side of Pyuthan district. It is surrounded by Arkha VDC in the east, Syalungbang and Khabang in the west, Bohora gaun VDC of Baglung district in the north and Punja VDC in the south. The total area covered by this VDC is 40.43 sq. km. which is 3 percent land area of Pyuthan district. It is about 17 mile far from the district headquarter Khalanga. It is situated at 1230 meter to 3350 meter from sea level. It is 27<sup>0</sup>2' north latitude to 28<sup>0</sup>21' and 82<sup>0</sup>30' east longitude. The average temperature of this VDC is 18<sup>0</sup>c. (VDC Profile, 2069).

**5.2 Demographic Status**

According to CBS 2011, the total population of this VDC is 5093. The total households are 845. The following table 5.1 gives the ward and sex wise distribution of population of the study area.

**Table 5.1**  
**Demographic status in study Area**

Ward No.	Total number of Households	Total no. of migrant household	Population emigrants		Total Population
			Male	Female	
1	54	42	56	7	63
2	56	45	78	9	87
3	102	65	83	12	95
4	100	43	51	12	63
5	97	24	23	4	27
6	150	32	35	5	40
7	108	69	73	6	79
8	91	29	22	9	31
9	87	24	107	18	125

*Source: CBS, 2011.*

The above table 5.1 shows that among the total population of 5093, in all the wards of the VDC, the sex ratio is higher i.e. the number of female population is more than the number of male population. According to the CBS census 2011, among the wards the sex ratio is highest in wards number 2 and 9 which is 0.94 and lowest is wards number 7 which is 0.71. Taking average of sex ratio is 0.82. Among the 9 wards according to the demographic status wards number 6 is the biggest ward which has 150 households and total population is 589. Among wards, ward number 1 is the smallest ward with the 54 households and total population 295.

### **5.3 Household Status**

This title gives us the information about the poverty situation of the sample house holds from the structure and condition of there houses.

**Table 5.2****Sample house holds made by different types**

S. No.	Types of houses	Total number
1.	Made with rod, Concrete and cement	5
2.	Made with stone and mud with tin roof	78
3.	Made with stone and mud and thatched roof.	21
Total		104

*Source; Field survey, 2014*

The above given table 5.2 shows that most of the sample household have made with stone and mud with and slate stone in the roof. These type houses are 78. After these types of house there are 21 house made of with stone and mud thatched roof. Remaining 5 houses are made with concrete.

**5.4 Education Status**

It is surely will not subject of debate that education is the main factor determining the foreign level employment and the earning from that foreign employment i.e. remittance. Besides that, education also helps to reduce the poverty because of educational employment in the home country also. Thus in the study are realizing the above fact that education is the prime factor for reduction of poverty. There are so many educational institutions. There is 1 secondary school 2 lower secondary school, 5 Primary school and 1 private (secondary) boarding school. The following table 5.3 gives us the information about the educational status of the study area (sample households).

**Table 5.3****Educational status of sample households (6 years of age and above)**

Educational status	Male		Female		Total Population	Total Percent
	No	Percentage	No	Percentage		
Illiterate	55	19.93	65	21.17	120	20.59
Literate	57	20.65	68	22.16	125	21.44
Education up to IA	117	42.39	136	44.30	253	43.39
Above IA	47	17.03	38	12.37	85	14.58
Total	276	100	307	100	583	100

*Source: Field survey, 2014*



The above table 5.3 shows that out of 583 sample population 120 people are illiterate, 125 people are literate, 253 people are educated up to IA level and 85 people number of female illiterate is more than the number of male illiterate. Most of the male population is educated up to S.L.C. and female also. In the sample area literacy rate is quite high in comparison to the national index.

### 5.5 Family Size

The table presented below shows the no. of the family members present in the sampled households.

**Table 5.4**  
**Distribution of Sampled household by family size**

Family size	No. of households	Cumulative
1-2	2	2
3-4	37	39
5-6	51	90
7-8	10	101
8 and above	4	104
Total	104	-

*Sources: Field survey, 2014*

The above table 5.4 shows that, the highest no of family size is 5-6 member family household, which is 51 percent. In the same way the lowest number of family size is 1-2 number family household which is only 2 percent in the total of 104 households. Now a day the young and educated parents have not more than two children because of family planning. But more households have more than two children because of their ignorance, the desire of emphasis on male child rather than the female child and child marriage etc. which is another major factor of poverty in the study area.

### 5.6 Age and sex status of the study area

Below table 5.5 shows that out the total population of this VDC about 41.82 percent population belongs to the age below 15 years which means that dependent population is very high in this VDC. The population of working age (15-59) is only 43.26 percent. The population above 60 years is 14.88 if the population between the ages of 15-60 years regarded as economically active

population and below 15 years and above 60 years regarded as economically inactive on dependent population. Based on the above assumption there is very high dependency ratio, which 56.7 percent. This high dependency rate is also one of the major causes of poverty situation in the study area.

**Table 5.5**

**Distribution of population by sex and age groups**

Age Groups (y)	Male population	Female Population	Total	Percent
Below 15	957	962	1919	41.82
15-29	402	438	840	18.30
30-44	317	262	579	12.61
45-59	309	258	567	12.35
60-75	209	194	403	8.78
75 and above	112	168	280	6.10
Total	2306	2282	4588	100

*Source: VDC profile 2013.*

**5.7 Size of Land Holding**

In the study area, most of the peoples' main occupation is agriculture. However, there is extreme inequality in the distribution of land. The land is categorized into one form i.e. Khet. Most of the poor families don't have enough Khet. They have only small pieces of Khet. The following table shows the unequal distribution and holding of land among the sample households.

**Table 5.6**

**Distribution of land among Sample households**

Size of land holding (Kattha)	No. of households
Landless	2
Bellow 2	20
2-5	25
5-10	17
10-15	19
15-20	12
Above 20	5

*Source: Field Survey, 2014*

The above given table 5.6 shows that there is unequal distribution of land among the total sample households. Among the 104 households 2 percent households is landless, percentage of land holding households below 2 Kattha

and 2-5 Kattha are 20 and 25 percentage respectively. Similarly, 5-10 Kattha is 17 percent; 10-15 Kattha are 19 percent, 15-20 Kattha 12 percent and above 20 Kattha is 5 percent respectively. So, the unequal distribution of land is one of the causes of poverty in the study area.

### 5.8 Occupational Status

The following table 5.7 shows that 78 percentage of sampled population is involved in the agriculture which is exactly equal to the national level. Rests of the sampled households are involved in the other occupation such as Government job, Business, Study etc.

**Table 5.7**

#### **Distribution on households and population according to major occupation**

Main occupation	No of households	Total Population	Economically active population (Age 15-59 Years)	
			Active Population	Percentage
Agriculture	78	394	254	64.46
Non-agriculture	26	156	83	53.20
Total	104	550	337	100

*Source: Field Survey, 2014*

### 5.9 Ethnic Composition

**Table 5.8**

#### **Distribution of Total Sampled Population and Household by Cast**

S.No.	Ethnic Group	Total Number of Sampled Households	Population Status		
			No. of emigrants	Total	Percentage of emigrants
1.	Magar	36	43	191	27.1
2.	Dalit	48	86	254	54.1
3.	Brahmin	10	16	52	10.1
4.	Chhetri	2	3	11	1.9
5.	Others	8	11	42	6.9
Total		104	159	550	100

*Source: Field survey, 2014*

Table 5.8 shows that, the total population of Rajbara VDC is divided into different cast such as Dalit, Magar, Brahmin, Chhetri and other. From the above table the majority of households are found Dalit which is 54.1 percent of the total sampled households and other cast is so minimum. Chherti is 27.1 percent, Brahmin is 10.1 percent, Chhetri is 1.9 percent other and 6.9 percent.

### 5.10 Extent of Poverty and Unemployment

It is clear to all us that unemployment is the main causes of the poverty in any state and the unemployment plays the major role of migration to the other places form their native born place. In this study also we found that the main cause of the migration of the youth of the study area is due to unemployment in their native country. Most of the workers of the study are migrated to those countries where they don't need any special qualification to migrate like India, Qatar, Malaysia, UAE, KSA, and other Gulf countries and also to other south Asian countries. Their migration to the different countries depends upon the economic condition of their family, and also the regular money income of the members of the family. This is shown in the following table.

**Table 5.9**

#### **Regular Money Income of the sample households**

S.N.	Regular monthly income (in Rs)	No. of households
1	Less than 5,000	10
2	5,000-10,000	55
3	10,000-20,000	26
4	20,000-50,000	11
5	Above 50,000	2
Total Household		104

*Source: Field survey, 2014*

The above table 5.9 presents the fact of the sample households of the study area that about 62 percent of the total sampled household receives less than NRs 10,000 per month. Which means an average of NRs 1650 per month is available to each person of the sample households. This is very below the absolute poverty line. Only 11 percent of the households receive more than

50,000 per month as the regular income. Among the 104 households about 10 percent of the households receive less than NRs 5000 per month, which is very low level of poverty for the existence of family members. The above given table is dependent of the production of agriculture products also therefore it is the weather and other factor behave against them, the income condition can also be very less than the stated level. Which are already stated in the table 6.9 that the main occupation of 78 percent of the people of the study area is agriculture which means about 78 percent people has disguised unemployment and seasonal unemployment. The occupational dependency is also another cause of the foreign employment of the study area. The kind of unemployment and the level of unemployment are shown in the following table.

**Table 5.10**

**Employment status of the sample households**

S.N.	Group of population	No. of people	Employed	Unemployed	Percentage of employed
1	Active population	337	257	135	76.26
2	In active population	213	0	213	0
3	Total population	550	257	348	46.72

*Source: Field survey, 2014*

The above given table 5.10 shows that in the sample households of the study area, only 76.26 percent of active population is employed but as over all situations only about 46.72 percent of the population are employed. It means that about 53.28 percent of all the population of study area is unemployed which is very high. Thus, as a conclusion from the above table 6.10 we can say that as the one hand among the total population 550 about 53.28 percent of the population are fully dependent population and on the other hand among the active population of 257 about only 76.26 percent of the population is employed it means the rate of employment of the study are is low and the rate of dependency area is very high.

## **CHAPTER VI**

### **DATA ANALYSIS AND DISCUSSION**

This chapter is all about the description of the social characteristic of the respondents, status of economic condition, occupation causes too seek foreign employment, medium used to obtain foreign employment, destination, duration of stay in abroad, income earned in abroad, system of transfer remittance income, uses of remittance income and the effect of the remittance in the poverty situation and send in the life status of the family of the migrated worker etc. in other words, this chapter deals with all the data related to the topic which are collected in the field survey.

#### **6.1 Social Characteristics of Respondent**

Social condition such as cast / ethnic composition, size of the family, age, marital status and literacy determine the willingness and clarity of the individual to participate in foreign labor market. In the proceed of field survey, we found the main cast of the study area are Dalit, Magar, Brahmin, Kamin, Damai etc. for the purpose of the study the sample household in respect of the above described cast were taken. The main social characteristics considered important for these groups were family size, marital status and literacy rate. The information obtained by interviewing the respond is presented in the following table.

**Table 6.1**  
**Average family size, age and literacy percentage of Different Ethnic**  
**groups of sample households**

Cast/ ethnic groups	No. of respondents	Average family size	Percent of literacy
Magar	36	5.12	76
Dalit	48	5.03	61.4
Brahmin	10	6.91	49.7
Chhetri	2	6.23	46.7
Others	8	5.06	51.2
Total	104	5.67	57

*Source: Field survey, 2014*

The following table 6.1 shows that among workers seeking foreign employment from Rajbara VDC is mostly dominated Dalit, Magar. Comparing the age of the migrant of the three casts with other cast, the average age of the migrant of these casts is very high while other cast like Kami, Damai has very low average age of the migrant workers. On another aspect the number of migrants from so called upper casts like Dalit and Magar is quite high compared to another casts migrant. The literacy level of the migrant of Magar is 76% where the literacy percentage of Dalit is 61%. The following table presents the another fact that the following size of the respondent from the low cast like Kami and Damai is high compared to the Brahman which is also playing the vital role to foreign employment for the young an dynamic labor forces even they are educated also. Most of the people of the lower cast Marriages in their childhood, which means that the percent of the marriages cast is very high which is also another important aspect as a push of foreign employment.

## 6.2 Sources of income of the sampled households

In the study area the people are engaged in different occupation like Agriculture, Business, Jobs (Government as well as private) and Foreign employment etc. which are the main sources of income of the respondent family of the study area. The situation of the income depending on their sources in the sampled households is shown in the following table.

**Table 6.2**

### **Sources of income of the sample households**

S.No.	Sources of income	Number of households	Percentage
1	Agriculture	47	45.19
2	Foreign employment	35	33.65
3	Job	9	8.65
4	Business	3	2.89
5	Other	10	9.62
Total		104	100

*Source: Field survey, 2014*

(Due to the multiple answer of the respondent the total number of sample households is more than 100)

The above table 6.2 presents the income sources of the respondents of the sample area. From that table we can find that most of the family depend on the Agriculture, Second largest sources of income is employment, where as about 34 percent of household's main sources income is foreign employment.

## 6.3 Status of Economic Condition

Economic condition is one of the most important factors of emigration. It is expected that people from lower economic condition (the type of people with problem in fulfilling their basic needs) should seek foreign employment. Mainly the lower economic condition families used to go India for foreign employment because of the cost of In this VDC respondents were classified into lower, lower middle, middle and high income group according to their own assessment of their economic condition. In this study, lower income groups are known as earning below Rs. 5000 per month in average, medium lower income



groups are known earning Rs. 5 to Rs. 10 thousand per month in average. Similarly, medium income groups are those who earned Rs. 10 to Rs. 20 thousand per month in average. Similarly earning above Rs. 20 thousands in average are known as higher income groups in this study.

The information obtained is presented in the following table.

**Table 6.3**  
**Frequency distribution of economic condition of different Ethnic Groups of Respondents from Rajbara VDC**

Cast/Ethnic groups	No. of Respondents	Economic Condition			
		Lower income groups	Medium lower income groups	Medium income groups	Higher income groups
Magar	36	4	17	11	4
Dalit	48	6	26	13	3
Brahmin	10	5	2	2	1
Chhetri	2	2	-	-	-
Others	8	2	3	2	1
Total	104	18	48	29	9

*Source: Field survey, 2014*

Above table 6.3 presents the summary about the economic condition of the respondents and their family. From the above table we can see that among the sampled households most of the households are Dalit and Magar, where they have quite strong economic background where two households from total 36 households are from high income group where as 4 household are from higher income group, 11 households are from medium income groups, 17 households are from medium low income group and only 4 households are the lowest income groups. After Dalit Magar is economically strong in which only the 12.5 percent of the total household are in lower income group. Among the sampled households Chhetri cast is the poorest cast in which 100 percent of the sampled are in lower income group from the above table we can see that there is only one family high income groups besides Dalits.

## 6.4 Causes seeking to foreign Employment

Even through, the poverty being the main factor of foreign employment, there must be several reasons behind it. It might be economic, social or political. They may be related to the acquired skills and various other reasons. To find out causes of seeking employment the respondents were asked to identify the prime causes to go for foreign employment. They gave more than one reason as follows.

**Table 6.4**

**Frequency distribution of causes of seeking foreign employment from Rajbara VDC**

Cast/Ethnic groups	No. of Respondents	Causes2			
		Unemployment	Family Debt	Conflict	Earn Money
Magar	36	17	9	1	9
Dalit	48	25	11	2	10
Brahmin	10	6	3	-	1
Chhetri	2	1	1	-	-
Others	8	4	2	-	2
Total	104	53	26	3	22

*Source: Field Survey, 2014*

(Due to the multiple answers, the total will be more than 100 percent)

Above table 6.4 shows that unemployment is the main cause of foreign employment for all the cast ethnic groups. Among all the sample households about 50.96 percent had stated unemployment as the main cause of foreign employment. The second main important cause is family debt burden which is also playing as the major push factor of the foreign employment. Comparing the other cast with Dalit and Magar; the percentage of emigrated population due to family debate burden quiet high in the case of other casts like Kami, Damai and other casts. Among the total sample house holds about 25 percentage of the respondent are emigrated due to the family debate burden. This means that among the ethnic groups Kami, Damai, Brahmin and other davit showed higher percentage of family debate burden then Dalit and Magar. The third reason of the foreign employment is to earn money. The percentage of respondents stating the major cause is earn money family debate burden are quiet similar i.e. 21.15 percent respondents have immigrated to foreign

countries to earn money then they were in Nepal before emigration to the foreign countries. After that 2.88 percent of the respondents had stated that they are migrated due to the conflict problem of Nepal. It is concluded from our study that unemployment, family debate are the main causes to seek foreign employment.

### 6.5 Cost Paid for Foreign Employment

A sizable amount of money needs to be invested as a cost of foreign employment. The cost started from obtaining a passport, medical checkup, manpower agency commission, visa expenditure, air fare and cost of internal travel time to time from home are to Katmandu and also to the district headquarter Pyuthan and hotel charge in Katmandu at the time processing for the foreign employment. To find out the cost paid by the respondents, they were asked to quote expenses in the different categories. The summarized version of the cost paid by the different income groups is given in the following table.

**Table 6.5**  
**Average cost paid and range of costs for foreign employment by**  
**Different Ethnic Groups from Rajbara VDC**

Cast/Ethnic Groups	No of Respondents	Average cost (in Rs.000)	Range of Cost	
			Minimum	Maximum
Magar	36	21.4	7	108.9
Dalit	48	15.16	7	1089
Brahmin	10	12.5	4	680
Chhetri	2	9.06	5	85
Others	8	8.14	3	389
Total	104	66.26	-	-

*Source: Field survey, 2014*

Above table 6.5 shows that average cost paid for the foreign employment is Rs 66 thousands. Magar had paid high average cost than the other group because they prefer developed countries like, USA, UK, Japan, Korea etc. for foreign employment where as other lower income group like Kami, Damai, Rai etc. very low foreign employment. The traveling cost to those countries is very cheaper and in the case of India, there is no any visa charge to enter. In the case

of same counties, Magar had paid high average cost than other group because they have not more information about foreign employment. Their Dalit had paid higher average cost for foreign employment which is 15.16 thousand; secondly Dalit also had paid high average cost for the foreign employment which is 21.4 thousand. Kami/ Damai Ethnic groups had paid very low average cost of Rs 12.5 thousand. We can see that there is too much variation in the cost of the foreign employment in all types of cast/ Ethnic groups had paid very low average cost of Rs 15 thousand. We can see that there is too much variation in the cost of the foreign employment in all types of cast/Ethnic groups. This is because the cost paid to immigration to India is very low where as the cost paid for the other developed countries are quite high compared to India. The lowest cost paid by the respondents of the sampled households is Rs 2.5 thousand rupees which is paid by Kami / Damai cost to immigrate to India where as the highest cost paid Rs 1,098 thousand to paid immigrate to USA. It shows that the respondent of this VDC had wide range of cost and it high variability with the sample.

## **6.6 Source of Financing**

Most of the rural people of Nepal who want to go for foreign employment use several sources of financing the cost involved. In the study area, the mostly used sources of financing are loan (From relatives, friends and local merchants), sale of property including land, internal saving. To find out the extent of sources used by respondents they were asked to provide their sources and the amount with its promised interest amount for the foreign employment. The information collected is presented in the following table.

**Table 6.6****Sources of financing for the foreign employment**

Cast / Ethnic Groups	No. of Respondents	Source of Financing		
		Loan	Sales of property	Family saving
Magar	36	16	9	11
Dalit	48	29	6	13
Brahmin	10	7	2	1
Chhetri	2	2	-	-
Others	8	4	1	3
Total	104	58	18	28

*Source: Field survey, 2014*

(Due to the multiple answer totals will be more than 100 percent)

Above table 6.6 shows that 55.7 percent respondent's of the total borrowed loan to pay for the cost of foreign employment. About 27 percent respondents had paid from their family saving and only 17.3 percent respondents had paid to the cost of foreign employment by selling their property. Only the low income groups like Chhetri and other sold land and other property to pay for the foreign employment. Among the respondents who use family saving the maximum number was from Dalit, Magar castes. It can be concluded that the cost of foreign employment is financed by borrowing and family saving. Family saving is used by to call upper cast like Dalit and Magar.

### **6.7 Types of Jobs and Duration of Stay in Foreign Employment**

Since the skill of Nepalese workers is quite low; most of them get employment in manual job. To find out the types jobs performed the respondents were asked to give the type of work they did while begin employed in foreign country which is categorized into five types, they are construction, mechanical, agriculture farming, industrial works an hotel/catering.

Duration of foreign stay of emigrants workers depend upon availability of work, facilities provided by company, salary rate, health of workers, visa permit date, home urgency another several reasons. Sometime the respondents return their home before the agreement date due to inferior type of job, low

salary, and family affairs such as death of any family members, sickness and their own bad health and also the duration of foreign stay the respondents were asked to provide their length of stay. The results of both the types of job performed and the duration of stay in the foreign employment are summarized in the following table.

**Table 6.7**  
**Types of jobs performed and duration of stay in foreign Country of respondents from Rajbara VDC**

Cast / Ethnic groups	No. of respondents	Occupation				Average stay of duration
		construction	Mechanical	Industry	Hotel / Catering	
Magar	36	8	8	9	11	3
Dalit	48	19	23	3	3	3.5
Brahmin	10	6	-	2	2	2.8
Chhetri	2	1	-	-	1	2.6
Others	8	3	4	-	1	2.7
Total	104	37	35	14	18	14.6

*Source: Field survey, 2014*

Table 6.7 shows that most of the migrated respondent's works in the construction area in which 35.57 percent work in that occupation. Most of the people form lower cast work in the construction areas due to lack of other technical knowledge to work in other areas. The second most employed areas is industry in which 13.46 percent respondents are working and third most employed area is mechanical in which 33.65 percent respondent are working. Other areas of employment for the Nepalese workers are hotel / Catering and also the agriculture – farming where 17.30 percent. According to the duration of stay from the field survey we know that the respondents from Dalit group have longest duration of stay where they stay on an average of 3.5 years once. After Dalit, Magar spent average of 3 years on foreign employment at a time. The Damai/Kami and other cast duration of stay around 2.8 years. In means the average duration of stay of the respondents from Rajbara VDC is 2.92.

## 6.8 Cause to Return Back to Work Again

The labor employed about went returns back to his/her home he has two options. He may stay in his own native country a have to take some new profession continue as former as return back to the some foreign employment. Those who return may be returning for several reasons such as easy continuation of job, unavailability of job at home, avoiding conflict. Those who are not able to return again with severable reason, such as difficulty in job, willingness to stay with family no urgency to make more money because the debt has been paid, marriage or death of the older member of family and got another employment in their own native country etc. how the sample household's respondents to the further employment in foreign land was solicited through the questionnaires and the responses are summarized below.

**Table 6.8**  
**Causes to return for foreign employment for different Ethnic group of respondents**

Cast /Ethnic Groups	No. of Respondents	Causes to returns		
		Employment Purpose	Conflict	No of plan to go
Magar	36	24	4	8
Dalit	48	39	-	9
Brahmin	10	7	-	3
Chhetri	2	1	-	1
Others	8	6	-	2
Total	104	77	4	23

*Source: Field survey, 2014*

The above table 6.8 shows that among the responds, 74.03 percent respondents plan to return to foreign employment. For them the most important push factor for sending to foreign employment again is employment purpose i.e. they can't get any jobs in their native country ever returning back from the foreign employment among the total respondent 83.43 percent of the respondent return back due to the employment problem, other 7 percent of the people said that they can survive in their own country but the conflict problem is purchasing them back to the foreign employment. Among the total respondents only

17percent respondent don't plan to return again while may be because they head done difficult, danger and dirty works in abroad. Ethnic group wise almost all the lower cast is planning to return back to the foreign employment, where as some of the respondents from Dalit and Magar and other cast do not plan to go to the foreign employment again as the same ratio. It can be concluded that continuous foreign employment is mean to avoid the unemployment and the conflict in the country.

## 6.9 Income Earned Abroad

It is often said that Nepalese workers get low paying in overseas. So, they earn less money than labors from other countries. But income earned abroad depends on skill of workers, salary payment by company, rule and regulations of the working country, types of company, duration of stay etc. to find out the income earned by Nepalese labor in abroad the respondents were asked to give their monthly salary earning. The respondents answer is given in the following table.

**Table 6.9**  
**Income Earned in abroad for different Ethnic group of respondents**

Cast/Ethnic group	No. of Respondents	Average monthly income (in '000)							
		Based on destination		Based on Education		Types of Jobs			
		Gulf	Malaysia	Educated	Uneducated	Mech.	Hotel	Ind.	Agr.
Magar	36	13.43	12	20	8	16	15	11	-
Dalit	48	15.43	12.4	22	10	18	18	13	8.5
Brahmin	10	12.84	14	17	7.75	21	20	17	9.5
Chhetri	2	9.63	9	15	7	-	-	10.5	-
Others	8	10.3	18	18	9	15	14	-	10.5
Total	104	12.32	11.48	18.4	8.35	17.5	16.7	12.87	9.5

*Source: Field survey, 2014*

Above table 6.9 shows that the respondents who have done the work in gulf countries earned more money than the respondents worked in Malaysia,



comparing their two countries the average monthly income of the respondents in Malaysia is Rs 11.48 thousand where the average monthly income in Gulf countries is Rs 12.32 thousands. Comparing the income of the respondents cast wise, we can get, the result that the respondents from Dalit, Magar gets more average monthly income than the others because they understand all the rules and regulations of their workers and their salary before they departure to the destination country. The monthly average income of Gulf country and Malaysia is lowest for the Damai cast because most of the worker from the cast is illiterate. In other aspect of this table we can understand that the average monthly income between skill workers and unskilled workers is very different. The skill workers are getting the average monthly income of around 18.5 thousand where as the unskilled workers getting around 8.35 thousand rupees monthly average income. The average monthly income varies accordingly two types of job also. Among the four types of jobs are hotel, mechanical, industry and agriculture the workers in mechanical firms get higher monthly salary which is 17 thousand rupees per month in the Gulf countries also. Cost wise variation in that most of the Dalit and Magar are working mechanical farm, hotel, industry and agriculture gets average monthly income of Rs 16.7, Rs 12.87, Rs 9.5 respectively. It means that the workers working in agricultural sector are getting very little money of Rs 9.5 per month.

#### **6.10 Utilization of Remittance and Skills Learned in Foreign Employment**

The use of remittance depends on the priority placed by the industries of different use, the size of remittance, the time of availability, opportunity for investment and several types of factors. Majority of migrant workers go abroad because of unemployment at home and poverty in household. Generally, the earning made by them is not big. The cost of foreign employment is bond by borrowing therefore the income earned has to be spent on the payment of the principle and the interest amount. There may be family in waiting. Keeping all this condition in mind the respondents were asked to identify the use they made for the money earned abroad. Each individual spent the earning in more than

one uses. To find out the use of remittance by the respondents they were asked to least the use of money in different heads.

Most of the migrants Nepalese workers are unskilled, so the Nepalese migrants' workers have learnt different kinds of skill abroad. When they return back they are expected to utilize those skills back home but they are utilized their skill in home country. It might depend on different conditions. Those conditions may be place availability of work, availability conditions. Those conditions may be place availability of work, availability of industry, quality of skills learnt, lack of technology, financial availability etc. to find out the perceived reasons, the respondents were asked to provide reasons. The answer given by the respondents are presented in the following table

**Table 6.10**  
**Use of Remittance and the skills learnt in foreign employment**

Caste/Ethnic groups	No. of Respondents	Utilization of remittance				Use of skills	
		Households expenses	Loan Payment	Investment (land, share)	Social activities	Yes	No
Magar	36	18 (17.30%)	8 (7.69%)	8 (7.69%)	2 (1.92%)	16 (15.38%)	20 (19.23%)
Dalit	48	26 (25%)	18 (17.30%)	3 (2.88%)	1 (0.96%)	14 (13.46%)	34 (32.69%)
Brahmin	10	8 (7.69%)	2 (1.92%)	-	-	2 (1.92%)	8 (7.69%)
Chhetri	2	1 (0.96%)	1 (0.96%)	-	-	2 (1.92%)	-
Others	8	4 (3.84%)	2 (1.92%)	1 (0.96%)	1 (0.96%)	5 (4.81%)	3 (2.88%)
Total	104	57 (54.80%)	31 (29.80%)	12 (11.53%)	4 (3.84%)	39 (37.5%)	65 (62.5%)

*Source: Field Survey, 2014*

(Due to the multiple answers the total numbers of the households are more than the total number of sample size).

The above table 6.10 presents the fact that about the utilization of remittance income as well as the utilization of skills learnt in foreign employment. From it, we can conclude that among all the respondents and their household, 54.80 percent of the respondent uses their income in their household expenses i.e. in

food, cloths, health and education of their family, 29.8 percent of the households use their income in loan payment of their family which can be taken for the same purpose or which can be the family debt before his foreign employment. Only about 11.53 households are using their income from abroad in investment purpose i.e., for buying land, home and shares or establishing industries. Among all the respondents only the 3.84 percent of the respondents are expending some amount of their income in social activities i.e., in schools, road, water tabs etc. Only the respondents from Dalit and Magar, apart from those other casts like Kami, Damai, and others are using almost all of their income in regular household expenditure and loan payment. It concludes that, the big amount of remittance income earned by the respondents in the study area is spending their remittance income in regular household expense and in payment of loan and their interest.

In another aspect of this table, this present the utilization of skill earned in foreign employment. Among all the respondents only the 37.5 percent of the respondents reply that the skill learned in foreign employment in their negative country. Among all the respondents 62.5 percent of the respondents reply that the skills learnt in foreign employment is not helpful in their further life after foreign employment in any areas.

### **6.11 Changes in Household Economy Due to Foreign Employment**

It is obtain believed that if somebody receives foreign employment his household economy will improve. The change in economy well being improvement in living standard, improvement in skill, social status might be some of the area was change take place etc. If the respondents are able to gain more than the income which is needed to run their family and also to pay their loans principle as well as their interest amount then only their economic condition can improve and their property problem can be reduced. To find out the change in household economic condition due to foreign employment, the respondent were asked to give their own judgment about their economic condition before foreign employment and after foreign employment and

comparison of this to time periods the answer given by them is presented in the following table.

**Table 6.11**  
**Frequency distribution of changes in different indicators of Respondents due to foreign employment**

Indicator	Change in Condition			Total
	Increased	Decreased	Remained same	
Economic status	85 (82.73%)	15 (14.42%)	4 (4.00%)	104
Standard living	57 (54.80%)	7 (6.73%)	40 (38.46%)	104
Social status	62 (59.61%)	5 (4.80%)	37 (35.57%)	104
Skills	70 (67.30%)	-	43 (41.34%)	104

*Source: Field survey, 2014*

The above analysis is based not on the ethnic composition or group but it is based on the total sample size without categorization. It show that 82 percent of the respondents reported that their economic status is increased due to foreign employment. The 4 percent of the respondent's reply that their economic status is remain same. The 14.42 percent of the respondents economic status has decreased due to the foreign employment it mean they had increased the sum of family debt for the reason of foreign employment. The decrease in economic status might have been resulted with high cost and low pay in foreign employment or short period of foreign employment. Another 54.8 percent of the respondents had increased their standard of living, 38.46 percent of the respondents had reply that their standard of living remained same and 6.73 percent respondents said that their standard of living is decreased after returning from foreign employment due to increased in debt. In the context of social attitude and rest 35.57 percent respondent's social attitude remained same. In another aspect of foreign employment, 67.3 percent of the respondents had learnt some new skills their either it may be useful here or not. The rest 32.69 percent of the respondents reply that they didn't learnt any new skills while working abroad.

From the above table it can be concluded that most of the respondents felt that their was positive change their household economic and social attitude and skill development etc, after returning from foreign employment.

### **6.12 Impact on Other Indicators**

How the foreign employment and remittance impact on certain household indicators? Do they live in better house? Do they send their children to better schools? How the health condition of their family changed? Are their family members better dressed? Are they protected from indebtedness at the time of need? These were very important questions. Positive impact on the dependent on size of income of respondents brought from foreign employment, family size, earlier economic condition of the family, knowledge and education of the respondents, culture of society, etc. To find out the impact of an employment on household indicators the respondents were asked to respond on the changes brought by the foreign employment. The answer provided by the respondents is given in the following table:

**Table 6.12**  
**Frequency Distribution of Impact on other Household's indicators of the Respondents**

Indicators	Increased	Worsened	Same	Total
Condition of housing	80 (76.92%)	4 (3.85%)	20 (19.23%)	104
Education of children	72 (69.23%)	-	32 (30.76%)	104
Health of family member	61 (58.65%)	17 (16.34%)	26 (25.00%)	104
Clothing	69 (66.34%)	3 (2.88%)	32 (30.76%)	104
Cash available with them	54 (51.29%)	27 (25.96%)	23 (22.11%)	104

*Source: Field survey, 2014*

The above table 6.12 shows that 76.92 percent of the respondents reported to have improved their condition of housing. It shows that anybody who had returned from foreign employment have either made new house or repaired old house to improved their housing condition. 19.23 percent of the respondents

had reported that their housing condition is same before and after foreign employment, but the static condition was not given. It might be low income or other more pressing like loan, payment, household expenditure, marriage of a family member, etc. No any respondents housing condition is worsened after returning from foreign employment.

Among the total households, 69.23 percent of the household reported that the education of their children have improved due to the income earned by their parent from foreign employment. It might be the result of improvement of economic condition of the individuals who could afford boarding school for their children. But no one among the respondents had reported to worsen the education of their children due to the foreign employment. The rest 30.76 percent of the respondents had reported that the education status of their children remained same before and after foreign employment. The 58.65 percent respondents said that the health status of their family had worsened due to the foreign employment where about 16.34 percent of the respondent replied that health status of their family had worsened due to the foreign employment either of the respondents himself or of his family members. The rest 25 percent of the respondents said that the health condition members remained same ever after returning from foreign employment. It might be due to general health condition of the area and health awareness.

More than 66.34 percent of the respondent said that household members are using better clothing after returning from foreign employment. It might be related to the increasing purchasing power and cloth after returning with the respondent and also with their family member. The rest 16.34 percent of the respondents had replied that their clothe status same before and after returning from foreign employment. When the availability of liquid cash to meet various household need was assessed, about 51.29 percent of the respondents had increased their cash holding with them, another 22.15 percent of the respondents cash holding has remained same and the rest 25.96 percent of the respondents had worsened their cash holding after returning from foreign

employment or the income earned from abroad is just equal to the sum of household expenditure and payment of loans and their interest or it might have been the result of high expenses, low income or the high cost of foreign employment. It indicates that foreign employment has increased the liquidity situation of about 51.29 percent of the participate of foreign employment. It can be concluded that from the above table that around 65 percent respondents of this VDC have improved that different household indicators due to foreign employment. But around 10 percent have worsened and about 25 percent respondents have same level of household indicators even after returning from foreign employment. In short, people who have returned from foreign employment have received same economic benefit and improved their financial, social economic condition but it can not be said it has improved their life tremendously.

As a summary, we can say that the remittance income earned from foreign employment is helping the household of the study area in fulfilling their based needs as well as fulfillment of other social economic aspect of their life. In another aspect of this survey we can say that the remittance earned by the foreign labor have benefited other members of his family than the employed himself. Therefore it is clear that the remittance is playing very positive role to the respondents and their family to reduce their level of poverty of the study area.

## CHAPTER VII

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 7.1 Summary and Major Finding

The main objective of the study is to gauge the impact of foreign employment and remittance in poverty reduction in the study area. Moreover the study also tries to analyze the nature and extend of remittance income in the study area, socio economic characters of foreign employees, source of financing and cost for foreign employment, change bought foreign employment and remittance in household economy and uses of remittance.

To fulfill the above stated objective of the present study, Rajbara V.D.C of Pyuthan district was selected areas and sample survey was conducted during 2014. The sample size was 104 household were chosen by proportional random sampling method and data collected through Questionnaire method. Some secondary data were used to show and compare the composition of foreign employment and remittance of the national level as well as of local level in the study. Data are analyzed by using simple statistical tools like mean, percentage, and ratio.

According to NRB, total remittance receive through registered source by Nepal in FY 2068/69 is more then 100 billions, which is very large then the previous year. In the FY 2069/70 the flow of remittance rose by 19 percent in Nepal, during the first half of the FY and touched the amount of Rs 57 billion of mid-January Nepal has received Rs 48.26 billion during the same period of last year.

The socio-economic characters of migrant workers was age group most of 25-40 years, 71.97 percent of the migrant workers are married, and 80 percent of the migrants are literate, 62 percent migrants coming from medium income group; 38 percent migrants from higher income group and 78 percent of migrants from agriculture occupation.



The average income of the household in this V.D.C is around 10,000 per month and only the 52.88 percent of the total active population and only the 33.77 percent of the total population of the study area are employed. It means that dependency ratio is very high in the study area.

Major reasons to seek foreign employment include unemployment, family debt burden, conflict problems and to earn money then which they are earning in their own country.

The means to get foreign employment of the most of the sample (85 percent) respondents were Manpower Agencies. Other went either through unregistered agents or personal initiative.

Majority of the foreign job seekers (83 percent) didn't have any skill and took unskilled labor jobs in industries. Sources of financing for foreign employment for 53.8 percent of the migrant workers was loan, 29.8 percent from family savings and 16.3 percent from property selling.

Major sector of employment for Nepalese workers were building construction (34 percent) and mechanical (29 percent). The average stay duration of the respondents was 2.8 years. If we classify them cast wise, it ranges between 2.5 years of minimum (Chhetri cast) and 3.5 years of maximum (Dalit). The respondents of this VDC want to go again to foreign employment because of the unemployment (79 percent) and conflict (3 percent). Among the total respondents 17 percent of them have no plan to go to abroad again to foreign employment. Above 60 percent respondents used formal channels (banks, registered transfer agencies) to send remittance. In formal channels like Hundi, relative and friends and bringing back by themselves were other channels of remittance transfer.

The larger amount of remittance income has been used for household expenses (37.5 percent), loan repayment (29.8 percent), investment only 16.34 percent and social spending (5.76 percent). Minimum part of remittance has been used into productive sector like as land purchase (20 percent), bank deposit (14 percent) and other small business and investment (10 percent). In this case, the

respondents from Magar are forward. Among the returnees from foreign employment only 35 percent of the workers are using the gain skill in abroad employment where as the rest 65 percent of the respondents have not benefited from that gain skill in foreign employment. It is because of lack of technology, lack of capital, lack of market and lack of positive social attitude etc. The respondents of this VDC were not utilized their remittance caused by conflict and other non-availability of sizable investment funds for investing in productive sector of the economy sector. The respondents of this VDC said that remittances have increases their household economic and social indicators after returning from foreign employment. Around 81.73 percent respondents said that remittance have increased their economic status, 54.8 percent of respondents said that remittance income have increased their standard of living, around 59 percent of the respondents social attitude have increased due to remittance income and around 67.3 percent of the respondents increased their skills. But around 4 percent respondents said that economic status has been same, 39 percent have remain same standard of living, 35 percent said that their social status have remain same and 33 percent said that remained same level of their skill after returning from the foreign employment.

The respondents of this VDC said that remittance have also done impact on their other indicators. It was said that around 76.92 percent respondents improved their condition of housing, 69 percent respondents improved their education of children, 65 percent improved their health of their family members, 66.34 percent improved their clothing situation and 51.92 percent of the respondents have increased cash available with them. But around 16.34 percent respondents have worsened health of the family members and 26 percent of respondents have worsened cash available with them. And around 19 percent of the respondents have same level of housing, 31 percent respondents have same level of education of the children, 25 percent respondents have same level of their family members, 31 percent of the respondents have same level of clothing and 21 percent of respondents have same level of cash available with them.

As a summary, it can be concluded that the economic and social condition of all families who have involved in foreign employment have increased. It may be in both aspects i.e. economy as well as social but surely there is positive change in the status of the families of the respondents due to remittance income. Therefore we can say that remittance is playing vital role in reducing the level of poverty in the study area.

## **7.2 Recommendations**

From the present study about the role of reduces rural poverty in Nepal, some recommendations are made as follows:-

1. Nepalese economy has received large amount of remittance but remittances are still being transferred through informal channels. Formal channels should be promoted. At list on formal institution must be established to facilitated transfer remittance in each destination
2. Almost all the workers from the lower income group are migrated to India to work because of lack of money with them were they are earning very little amount of money comparing with the migrated workers to other Gulf countries and Malaysia. Thus, GoN should provide loan to the poor people in the cheap interest rate who want to go to foreign employment.
3. Most of the respondents of this VDC have gone to foreign employment in unskilled condition. So, they cannot earn more income then skilled workers. So, the technical training institutions should be established in rural areas and a person who wants to go to foreign employment, should be given training related to the work has to be done in abroad and also the language of the migrating country before going to foreign employment.
4. Most of the respondents have not utilized their remittance and newly learnt skills at abroad when they come back home because of lack of technology, conflict problem, non-availability sizeable investment funds and lack of market etc. So, the policy should made to solve the conflict

situation create good environment and provided sufficient technology as well as market and the GoN should play as the role of facilitator for all the investors and the workers.

5. Surely remittance income is playing very positive role to reduce rural poverty of the study area and also it is improving the social as well as economic indicators of the VDC but this is not satisfactory. Maximum part of remittance income have been use in unproductive sectors like regular household expenditures, 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 own using their remittance income in to productive sectors like investment in shares, business etc. and should be given more opportunities to them in using their newly learnt skill after returning form the foreign employment.
6. The concept of economic diplomacy should be implemented from the government of Nepal to increase the demand of Nepalese labor in the foreign labor market.
7. The Bilateral agreement should be done from the ministry level with all the labor importing countries. Agreement done with UAE, Korea and Japan can be the best example of positive impact of agreement.
8. The labor desk should be established in the airports of the major labor migrating countries to help the Nepalese labor in various problems.
9. The concept of labor attaché should be implemented in every embassy. So that, all the problem of migrated labors can be solved from the different desk.
10. Different incentives should be provided by the government level as well as from the private sectors of encouraging the people to remit earned money through the formal channels.

Finally, this above case study of role of remittance to reduce rural poverty and the status of foreign job seekers of Rajbara VDC which is very important

current issue of the Nepalese economy, therefore, this study can be considered and significant, while the study is conducted in small size and may not be sufficient to make general conclusion for the whole nation about the role of remittance income and labor migration. But by this study, I'm confident that it will be certainly beneficial to the people of Rajbara VDC and side by side for the people of other neighboring VDC of the entire country.

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## APPENDIX-I

### QUESTIONNAIRE FORM

#### ROLE OF REMITTANCE IN POVERTY REDUCTION

I, Mr. Navraj Pokhrel, student of Central Department of Economics, is going to conduct a research work on "Role of Remittance in Poverty Reduction." I would like to assure you that all the information obtained from you will be kept secretly and only use for academic purpose.

Navraj Pokhrel  
Central Department of Economics

1. General Information:
  - a) Name of household head: -----
  - b) Age:-----Sex:----- Cast-----
  - c) Education:----- Occupation:-----
  - d) Name of Village: ----- Ward No:-----
2. What are the source of income of yours family?
  - a. Agriculture                      b. Business                      c. Government job
  - d. Private Job                      e. Foreign Employment                      f. Others
3. What was the source of family income before going abroad?
4. How was the status of your income before going to abroad?
5. In which class do you belong looking at your economic condition of family?
  - a. Lower                      b. Medium-low                      c. Medium                      d. Higher
6. Ownership of houses:
  - a. Self owned                      b. shelter on other house
7. Background of the migrated people:

Name	Age	Sex	Country	Period of stay	Monthly earning	Whether he is still their or returned back

8. What are the causes for going to aboard for employment by you on the basis of primary factor?

- a. Job not found in the country.
- b. To pay family loan.
- c. Conflict problems
- d. To increase the family economics economic status
- e. Internally desire to go to aboard
- f. Due to the friends and relatives
- g. Others

9. What are the items for pre-departure expenditure?

No	Topic	Amount
1.	Passport Expenditure	
2.	Medical Expenditure	
3.	Visa Expenditure	
4.	Aero plane Ticket	
5.	Other Expenditure	
6	Total	

10. What are the methods for obtaining required sum of money for going abroad?

No	Topic	Amount	Interest amount
1	Family income		
2	Having lone from		
	a. Bank		
	b. Merchant		
	c. Relatives		
	d. Public Institution		
3	Friends		
4	Selling various things (assets)		
	Total		

11. Information while in abroad:

- a. Time of stay due to agreement: -----b. Actual time of stay-----
- b. Monthly salary due to agreement: -----d. Actual Salary got: -----
- e. Monthly saving: -----f. What type of job did you do: -----
- g. Did you change the job while in aboard? -----
- h. Daily work hour due to agreement; -----
- I. What is the maximum no. of hours you worked daily?
- j. Did you get any new skills there? -----
- k. Can it be helpful to you here also? -----
- l. Do you plan to go to abroad again? -----

12. What sort of problem did you face during the foreign employment?

13. How did you bring your earnings to Nepal?

- a. Brought money along with you
- b. From Bank
- c. From Hundi
- d. From friend/relatives
- e. From other transfer institutions

14. What are the sectors that you invested money earned from foreign country?

SN	Expenditure and investment	Amount (Rs)
1	In regular house expenditure (regular consumption expenditure)	
2	For paying loan a. To pay old lone b. To pay recent loan(use for same purpose)	
3	Real estate	
4	Education	
5	Health	
6	Business investment	
7	Savings	
	Total	

15. Did you get any opportunity to invest money in our country?
- a. Yes                      b. A little                      c. No
16. In your opinion what is to be done promote foreign employment?
- a.
- b.
- c.
17. How can the remittance income be made more productive?
- a.
- b.
- c.
18. Were you able to pay the debt that you were having before going abroad ?
- a. Yes    b. No
19. Was the educational status of the children and other family members raised after getting the remittance income?
- a. Tremendously increased
- b. Satisfactorily increased
- c. Little change
- d. No change at all
20. How was the status of education of your family members before 6 years?
- a. No. of literate .....
- b. No. of illiterate .....
- c. Up to IA.....
- d. Above IA .....
21. How is the present status of education of your family members?
- a. No. of literate .....
- b. No. of illiterate .....
- c. Up to IA.....
- d. Above IA .....

22. Did the remittance income change the living standards of your family?

- a. highly increased
- b. increased
- c. very little increased
- d. Not increased at all

23. To be specific, what about the changes seen before you went to abroad and after you returned back from abroad?

- |                           |                              |
|---------------------------|------------------------------|
| a. In economic condition. | b. In daily life spending    |
| c. In social status       | d. In skill development      |
| e. Other to be mentioned  | f. No changed before and now |