

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

The phenomenon of migration is as old as the history of humankind. With the development of human civilization, there has been rapid growth in transportation and communication sector in the world. People are moving from one place to another place since ancient period.

The number of migrants has risen rapidly in the past few years for various reasons: job opportunities, labor shortages resulting from falling birth rates, internal conflict and war, natural disasters, climate change, and improved access to information through phone and the Internet.

A remittance is a transfer of money by a foreign worker to his or her home country. It is the income of out flowing labor from their foreign job. Workers' remittances cover current transfers by migrants who are employed in new economies and considered residents there. Persons who work for and stay in new economies for less than a year are considered non-residents; their transactions are appropriate mainly to the component for compensation of employees (IMF, 1993).

International labor migration in Nepal is not a new phenomenon. It has been triggering the process of socioeconomic transformation in the country for decades. Much of early migrations were the upshot of push factors like excessive tax burden, exploitative agrarian relations and political instability. The more formal and temporary migration began after people started to work in the British army following the Sugauli Treaty that was signed on 2 December 1815. This Treaty permitted Britain to recruit Gurkhas for military service. While both the First and the Second World War generated a huge demand for young army personnel from Nepal, in recent times the scope for out-migration for military services has declined and more and more people have migrated for other types of job. Probably the most positive impacts of labor migration in the local development would be the remittances produced by the migrant worker because it is the most visible product of migration.

The Government of Nepal formally opened its door for citizens to go abroad for work in late 1980s. With the approval of the Labor Act of 1985, the government officially

acknowledged the potential value of foreign labor migration. Beginning from the 1980s, Nepalese began to migrate in significant numbers eastwards to Southeast Asia and the Far East and, from the mid-1990s onwards, westwards to the Gulf countries. It was only after the 1990s and more so in recent years that policy makers began to fully realize the importance of remittances send by Nepalese employed abroad for enhancing the livelihoods of the households, including those in the rural regions. Foreign employment has been regulated in Nepal through the enactment of Foreign Employment Act, 2007 and Foreign Employment Rules, 2008.¹ In addition, Foreign Employment Policy, 2012 aims at promoting safe and inclusive migration, coupled with productive use of remittance. In recent years, poverty, poor employment prospects at home, growing employment opportunities abroad, declining natural resources, and political instability have prompted Nepalese workers to seek employment abroad.

Nepal is still one of the poorest countries in the world. Despite the ongoing difficult political situation since the end of the civil war in 2006, however, the living standard of many Nepalese continued to improve. Remittances are the main reason for this development. According to CBS, almost 56 percent households received remittances, of which 42 percent were sent back by international migrants (mainly from India, Malaysia, Saudi Arabia and the UAE) (CBS, 2011).

One of the major exports of Nepal is labor and most rural households (HHs) now rely on at least one member's earning from employment away from home. Liberalism policy adopted as key policy measure in 1990 to integrate the global market of labor to integrate the global market of labor to have a prospective employment opportunities to Nepalese. However, India has been a traditional destination for Nepalese migrants. The primary reasons for this are geographical proximity, historical and cultural links and a large and open border.

Outflow of labor are estimated more than 0.3 million, except India, which is increasing gradually. Country trend line of remittance is gradually and positively increasing to 228 billion NRs in 2010 from 75 billion NRs in 2008. Size of remittance seems to be two third of annual national budget of the country. Its share was 50 percentages in total foreign exchange (Bista, 2011). The ratio of remittance to GDP that stood at 29.1 percent in FY 2014/15 is estimated to reach 31.1 percent by the end of FY 2015/16. Remittance income that had registered a growth of 4.0 percent in FY

2015/16, the current foreign exchange reserve is sufficient to cover the imports for 15.8 months. (MoF, 2016).

1.2 Statement of the Problem

More than 1500 Nepali youth goes for foreign employment every day (NPC, 2013). Most of the workers are inhabitant of village and low income group families. They don't get any government co-operation and subsidy. They have no higher education, training and skill and assets. Most of the migrants go for foreign employment either by lending money from others or by selling or leasing their land and property. They take such risky decision for their better living standard and socio-economic status.

Remittance sent by international migrants to their countries of origin has now grown to be substantially higher. Nepal has been one of the greatest shareholders of global remittance but the issue is how such flows have been used in the livelihood of remittance receiving households. The main subject matter of this study is to identify how remittances impact various socio-economic dimensions of remittance-recipient households. This study conducts an impact evaluation by surveying both remittance-recipient households (treatment households) and non-recipient households (control households) in Angkhop VDC of Taplejung district, one of the largest migrant-sending districts in Nepal, and analyzes the impact gain resulting from remittance flows in the study area.

The contribution of remittances in the economy mainly depends on the role it plays in increasing employment opportunity, living standard of people and which only can done by using the remittance in productive sector.

Remittance income is the major source of income of many households in Angkhop VDC of Taplejung district. But, does the use of remittance is productive or not is the subject matter of the study. The major problem of foreign employment is to increase the use of remittance in productive way, by which the employment opportunity and living standard of people can increase.

The study focuses to answer the following questions.

-) What is the trend of foreign employment and remittance income in Nepal?
-) What is the expenditure pattern of the remittance in study area?

-) Do the migrants channel international remittances into productive investments at home?

1.3 Objectives of the Study

The general objective of the study is to explore the use of remittance in productive sector. The specific objectives are as follows:

-) To study the trend of foreign employment and remittance income in Nepal and study area.
-) To examine the expenditure pattern of remittance in study area.
-) To analyze the use of remittance channelized into productive investments at home or not.

1.4 Significance of the Study

The evolution of remittances as a major foundation of the Nepalese economy has raised the concerns over its several aspects including the potential role of macroeconomic factors in driving the inflows. In recent years, foreign employment and thus remittance inflows have drawn attention in the national discourse because of its large magnitude and stability in the positive growth trend. Since 2006, it has dwarfed all other types of resource inflows in Nepal's balance of payments, assisting in macroeconomic stability and poverty reduction. Despite such a growing significance, there is a paucity of literatures that analyze the impact of macroeconomic factors in driving Nepal's remittance inflows.

Remittances contribute largely to the national economy. The remittance sent home by the migrants affects development at both the household and national level. Remittance help to reduce poverty, improve standard of living, increase employment opportunity and attain higher education level. At the macro level, remittances could be used for entrepreneurship and productive investment which in turn increase job opportunities and income of the people. At the sometime remittance inflows help the augment foreign exchange reserves and improve the current account position.

Increase in regular consumption have does not much effect on micro and macro level. But reduction in regular expenditure or consumption and increase in productive use such as investment in financial assets, remittance bond, start up business or small industry have multiplier effect in domestic economy by producing employment

opportunities and spurring new economic and social infrastructure and services. But, this can only be possible if the use of remittance is productive. The productive use needs to practical and investment friendly policy from the side of government and entrepreneurship to the migrants and their families.

This study mainly tries to find out the expenditure pattern of remittance and it also finds out the potential opportunities from remittance and find out the new idea to make remittance more productive.

Finding of this study is useful for policy maker, migrants and their family as well as those who are interested in economic development and it's one of the determinants remittances in Nepal. This study will also useful for those organizations that are working in the field of economic development and foreign employment, poverty alleviation etc.

1.5 Limitations of the Study

Every study carries some limitations which are unavoidable. The main limitations of the study are as follows:

-) This study covers only Angkhop VDC of Taplejung district so the results may or may not applicable to whole country.
-) Most of the analysis is based on primary data, so any distortion of the reality from this study may be due to the business of the respondents.
-) This study concerns in overseas foreign employment but excludes India.

1.6 Organization of the study

The whole study divided into following six chapters. First chapter deals with introduction. It includes background of the study, statement of the problem, objective of the study , significance of the study , limitation of the study , organization of the study. Second chapter deals with review of literature. This consist of literature review of international context and national context, research gap.

The third chapter is research methodology, it deals with research design, nature and source of data, secondary data collection, primary data collection, population and sample, tool and techniques of primary data collection, data analysis and presentation. Next chapter is data analysis and interpretation. It includes general characteristics of respondents, age and sex structure of respondents, cast/ethnic composition of the

respondents, family type of respondents, religious composition of respondents, marital status of the respondents, education status of respondents, occupational status of the respondents. Its deals with remittance in Angkhop VDC of taplejung district. It includes age category and education level of migrants, status of technical skill, cause of migration, source of financing, remittance income, channelization of remittance in productive investment, the reason behind not channelization of remittance into productive sector, trend of foreign employment and remittance income in Nepal, trend of foreign employment, trend of remittance in Nepal, Fifth chapter deals with summary, conclusion and recommendations.

CHAPTER – II

REVIEW OF LITERATURE

In general, review of literature means looking back on past events or experiences. Every scientific research must be based on past knowledge. The previous studies cannot be ignored because they provide the foundation for the present study from a different perspective. So this chapter contains a review of the relevant literature in the form of books, journals, articles, theses and previous research work related to the past study.

2.1 Literature review at international context

The literature review of international context of remittance can be divided into theoretical review and empirical review to examine the international context.

2.1.1 Theoretical Review

Lewis (1954) distinguished the subsistence sector and the developed sector within the economy. In other words, the first is agro-based, unemployed or rural area and the second is industrial, developed or urban territory. The prime reason for migration is an attractive wage rate. Unlimited supply of labor force prevailing at a low wage rate is attracted into the industrial sector until the subsistence sector provides an equal wage rate like that of the urban sector, i.e. migration exists whenever a wage differential exists and of such a differential cause to end labor mobility.

Harris and Todaro (1970) propounded a model about migration. This model is based on the pull factors for occurring migration. According to these theories, migration proceeds in response to urban-rural differences in expected income. If the expected income from the urban area is higher than the rural area, there will be migration from rural to urban areas even though there is widespread unemployment in urban areas. The only motive for migration is to maximize the expected utility (EU) at the end of the relevant time period. So, $EU = EU(Y)$. Let Y_1 be the expected income from migration and Y_0 be the expected income without migration, then a person will migrate if $EU(Y_1) > EU(Y_0)$. The same hypothesis can be applied to international migration that if the expected income from the host country is higher than the expected income in the origin country, there will be international migration.

In short, there will be pull factors in urban areas or the host countries to attract migrants.

Glytsos (1997) has suggested that some individuals, especially the temporary migrants, migrate to accumulate financial assets to make specific investments. They are not likely to invest in host community, are more frugal on current expenditure but remit the maximum amount of their income. Their main motive is to save as much as they can. Future consumption is preferred to the current consumption. So, the intention to return positively affects financial transfers from immigrants to their home country. The main aim of a permanent migrant is to integrate themselves into host-country circumstances. A remittance for family support is of minor importance since the family members join the migrant abroad sooner or later.

Sen (1999) argued that income growth itself should not be the litmus test for development theorists, but instead the question of whether the capabilities of people to control their own lives have expanded. While acknowledging that incomes can have a high potential to contribute to the expansion of the real freedoms people enjoy, Sen maintained that the relationship between income and human development is by no means direct or automatic, making income indicators alone an inadequate indicator of the quality of people's lives. The author argued that freedom is central to the process of development for two reasons. First of all, there is the intrinsic importance of human freedoms as an objective of development, which has to be clearly distinguished from the obvious instrumental effectiveness of freedoms of different kinds in contributing to economic progress. Thus, the value of such freedoms should not only be judged by their income-generating capacity, but should first and foremost be seen as the principal ends of development in themselves.

Bracking (2003) has viewed that the relative deprivation theory addressing 'why to migrate' pinpoints the issue of social status and prestige in the origin community. The migrants want to be relatively better off in the social stratification on wealth distribution. As the migrants are relative to their own origin community, they want to spend their earned money abroad on their origin community. Remittances contribute to the underwriting of pre-existing class locations and the formation of new social hierarchies.

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into industrial sector until subsistence sector provides equal wage rate like that of urban sector i.e. migration exists whenever wage differential exists and of such differential cause to end labor mobility.

Lucas and Stark (1985) stated that the household decision making on migration depends upon the family loan situation, the household decision of portfolio management and the insurance scheme the household wants to make. So, the household expects that the loan or the expenditure incurred during the migration process to be repaid by the immigrant. Moreover, the remittance is thought to be the insurance against shocks. The portfolio management by the household diversifies the income sources and if the internal sources are not sufficient to deal with the expected shocks, remittances serve as insurance for the household. So, “the remittances flow is negatively correlated with the home country economic shocks”.

Solimano (2003) reviewed that remittances can have a positive impact as a development tool for the recipient countries with effects on saving, investment, growth, consumption, poverty, and income distribution. The impact on growth of remittances in receiving country is through saving and investment as well as short run effects on aggregate demand and output through consumption. Workers’ remittances are a component of foreign saving and they complement national savings by increasing the total pool of resources available to investment.

2.1.2 Empirical Review

McKay and Deshingkar (2014) suggested that the main objectives of this study are to obtain the result on income and expenditure of remittance; to investigate the social dynamics of migrants families like employment, education and health; and access to social services and benefits. The data on remittances from household surveys is complemented by migration data from secondary sources, including census and other household surveys where possible. Researchers done the comparative study about the relationship between remittance and poverty of six countries across sub-Saharan Africa and Asia: Nigeria, Rwanda, South Africa, Uganda, Bangladesh and Vietnam. The reason for choosing these six countries for the analysis was confidence in the quality of the data, a high incidence of internal migration, driven generally by regional inequalities and high rural poverty.

All six country cases considered in this study shows large levels of internal migration, as well as significant levels of international migration. Both domestic and international migrants frequently send remittances back to their households of origin, and this paper has focused on describing patterns of remittance receipts. Patterns do differ from case to case, but some results are fairly common. First, international migrants, who have moved further away, are generally more likely to send remittances than domestic migrants, and the average size of the transfer tends to be much larger. But in all cases there are many more domestic migrants than international migrants, which cause the sum total of domestic transfers to exceed that of international transfers, sometimes by a significant margin.

Domestic remittances are more likely to be received by poorer households, while international remittances tend to be received by richer households. If a poor household *does* receive an international remittance, this can have a substantial poverty reduction impact for that household, but few poor households benefit from such remittances. Hence, the bulk of the poverty reduction impact of remittances in all the countries discussed in this study comes from domestic transfers. This is clearly one positive poverty reduction impact of migration.

The results presented in the paper feed into policy discussion and interventions on internal migration and poverty reduction in Sub-Saharan Africa and Asia, where governments continue to be negatively disposed towards internal migration and remain unaware of its development potential. Rather than recognizing that poorer migrants are sending remittances and helping them and their families to safely receive them and productively use them, the emphasis appears to be on preventing or reversing migration. Complementary policies to support migrants' own efforts to improve the lives of their families through remittances are needed.

The main investigation of the study is that remittance can help in reducing rural poverty but rural poor are unable to go in foreign countries in search of job because of not having money and so, only few poor are benefited from remittance. The study is unable to explain the role of banking and financial institute who can provide the fund to poor for foreign employment so that they can able to go abroad in search of job.

Jongwanich (2007) examined the impact of worker's remittances on growth and poverty in developing Asia-Pacific countries using panel data from 1993 to 2003.

They find that while remittances have a significant impact on poverty reduction through increasing income, smoothing consumption and easing capital constraints of the poor, they have only marginal impact on growth operating through domestic investment and human capital development. They find an insignificant impact on growth in a direct growth equation and deduce the above conclusion indirectly.

CED-Nepal (2012) stated that remittance income is used for immediate consumption. There are cases where remittance has promoted asset accumulation in housing and land acquisition. Remittance is spent on consumption that is status oriented. They also assert that part of the remittance go into savings or investments, however, these researchers lamented that some of the remittance are spent on assets like housing, land, jewellery, etc. which the research deem as unproductive. This pessimistic view about the value of remittance has been countered by other findings. For example, they cited to Edwards and Ureta (2003) and said that remittance has played a positive role. They assert that remittance receiving households spend more money on education than money from other sources in El-Salvador. The study said that remittances promote education. And provides indications of contribution of access to capital from remittance to build or expand their micro enterprises. In most countries productive use of remittance is a matter of academic and policy debate.

Adams and Cuecuecha (2010) using nationally representative household data set from Guatemala found that households receiving international remittances spend marginally less on consumption goods like food and spend marginally more on investment goods such as education and housing compared to what they would have spent on these goods without the remittances.

Morton, Panday and Kula,(2010) concluded that most of the high remittance receiving countries experienced declining poverty along with increased income inequality. Their experience related to growth was mixed. Yet two sample countries in the study out; Nepal and Moldova. In spite of high remittance inflows, Nepal experienced low growth and worsening inequality, although poverty improved. Moldova, on the other hand, along with high remittances, experienced high growth and improvements in inequality and poverty. Researcher found remittances to be positively correlated to GDP growth in Moldova and negatively correlated to growth in Nepal. Upon studying country specific conditions, Moldova had a lower level of corruption, a significantly higher literacy rate, a higher rate of capital formation and lower population growth

than Nepal. These factors could have provided the necessary complimentary ingredients for remittances to play a positive role in development. For further research, controlling for the all exogenous variables that affect growth, via regression analysis, would give a clearer picture on the impact of remittances.

Ratha (2013) stated that, as per the World Bank estimate migrant's remittance was estimated US \$ 401 billion in 2012, and projected that by 2015, this figure could grow by another \$114 billion and are growing fast-represent a major vehicle for reducing the scale and severity of poverty in the developing world. To put the known volume of remittance flows into perspective, in 2011 migrants sent approximately three times more to developing countries than these countries received in official development assistance; and they sent an amount equal to about half of foreign direct investment (FDI) in these countries. Besides pure monetary gains remittances are associated with greater human development outcomes across a number of areas such as health, education, and gender equality. This money acts as a lifeline for the poor increasing income for individuals and families. In some countries, remittances represent more than 20 percent of the gross domestic product (GDP). The remittances as percent of GDP of Tajikistan is 47 percent, Liberia 31 percent, Kyrgyz Republic 29 percent, Lesotho 27 percent, Moldova 13 percent, Nepal 22 percent, Samoa 21 percent, Haiti 21 percent, Lebanon 18 percent and Kosovo 18 percent in 2011. The top remittance recipient countries of the world in 2012 are (remittance received in billion of US \$) India 70, China 66, Philippines 24, Mexico 24, Nigeria 21, Egypt 18, Vietnam 9 and Lebanon 7.

The study further states that while migrant can have both positive and negative economic, social and cultural implications for countries of origin, remittances are the most tangible and least controversial link between migration and development. Policymakers can do much more to maximize the positive impact of remittances by making them less costly and more productive for both the individual and the county of origin. Migrants pay transaction costs, on average of 9 percent of the amount they remit. While increased competition among institutions that provide money transfer services has produced substantial progress in reducing these costs in high-volume remittance corridors, prices remain high in low-volume corridors, such as between Japan and Peru. Beyond reducing costs, which puts more money directly into the hands of migrants who send and / or families who receive remittances, measures to

ensure that the recipients of these funds have access to other financial services, such as micro insurance (especially health) or education financing would go a long way to boosting development outcomes. The technology for linking remittances directly to such programs exists, but practice has fallen behind because of public policy barriers. While governments cannot tell migrants and their families how to spend their own money, policymakers can put in place sufficient incentives and mechanisms for migrants and their families to invest remittance in capital-accumulation projects (involving both human and physical capital) that are beneficial to the whole economy.

Alam, Rahim and Asraful (2013) explained that Bangladesh has been continuously received robust remittance because migrant workers are working hard and earning huge money in abroad. With these remittances the government has been compensating trade deficit. The determinants of remittance in Bangladesh include employment in abroad, GDP growth, exchange rate and oil price these determinants are strongly influencing on the level of remittance inflow of Bangladesh. they cited Hussain and Naeem (2009) and point out that a) Each additional migrant worker brings in \$ 816 in remittances annually, b) Every dollar increases in oil price increases annual remittance by nearly \$15 million, c) Depreciation on exchange rate by one take increases annual remittance by \$ 18 million and d) Remittance are higher during periods of low economic growth.

2.2 Literature review of national context

The literature review of national context of remittance can be divided into theoretical review and empirical review to examine the national context.

2.2.1 Theoretical review

Thieme and Wyss (2005) stated that in rural Nepal, where food demand is always higher than the food supply, migration for work is the main livelihood strategy of the rural households. Researcher explain the reasons to migrate, choice of destination and financing of migration cost in the Nepalese context. According to the study, the main reason to migrate is to increase the living standard of the household such as paying the debts, buying house or land, financing education of children, fulfilling the current expenses. Not only are the economic reasons, but there are social attributes which encourages the migration of the young people. Migration is institutionalized in rural Nepal and the young people have no incentive to work in agriculture. Regarding the

choice of destination, the household decides where to migrate and the main consideration is the investment requirement for migration and the migration networks.

Pant (2008) explained that promotion of microfinance, with robust supervision, is also a policy option. It has the ability to address the demand for remittance-linked financial services and expand them to the unbanked, and it can help increase the volume of remittance flows mediated through the financial system. The supervision of the financial sector should be strengthened to maintain financial sector stability in the face of rising liquidity resulting from rising remittances. Although high-skilled migration is still very small relative to total migration, a national policy is needed on high-skilled migration, whose scale is likely to increase in future.

Bohra-Mishra and Massey (2011) tried to evaluate the leading theories of migration and asserted the consistency of all the leading theories in Nepalese migration dynamics. Researcher tried to evaluate the new economics of labor migration hypothesis of relative deprivation as the cause of migration from the agricultural households and concluded that the households with relatively less access to cultivated land are more likely to migrate and that the fragmentation of land holdings encourages work-related migration. Researcher concluded that the migrants send remittance to the origin motivated by self-interest to inherit parental property and to return home. The return motive is most plausible in the context of Nepal as majority of international migration is work related and temporary. The migration to India is mostly seasonal and the strict immigration policies in the Middle East and the Gulf makes the return motive dominating other motives to remit not only in present but can be expected to be continued in the future as well if the current trend of migration destinations continue.

Kharel (2011) stated that in order to reduce the human and financial costs of migration at the household level, the government should, inter alia, i) effectively implement regulations governing the foreign employment sector, and closely monitor the recruitment practices of recruiting agencies and take prompt action against those engaged in malpractices, as well as increase the efficiency and transparency of the Department of Foreign Employment; ii) provide pre-departure orientation training and financial education to outbound workers; iii) pursue bilateral agreements on migration (covering working conditions, pay, benefits and other related issues) with as many destination countries as possible, and monitor their implementation, and assign labour

attaches in all major and emerging destinations; iv) disseminate information on destination countries, job opportunities, employment-related terms and conditions, including pay and benefits, and suchlike areas to prospective migrants; v) maintenance and regular updating of database on the stocks of migrants by destination, and stepping up diplomacy to ensure the safety and welfare of illegal migrants; and vi) augmentation and effective use of the Labourers' Welfare Fund for the welfare of migrant workers, including those forced to return due to external shocks like global economic crisis.

Combining research (on trends in destination markets, demand by sector and skill type, etc) with economic diplomacy, options must be explored for increased job opportunities for Nepalis in destinations and sectors, including new ones, offering higher remuneration and benefits and better working conditions. Based on market research, the government should consider making arrangements for the provision of basic skills, in collaboration with the private sector, to foreign job seekers that would help them earn more.

Researcher further recommended that remittance services should be improved, fund-transfer (transaction) costs lowered and regulation of remittance service providers strengthened to bring in more remittances through the formal channel (banking and money transfer agencies). This will increase the contribution of remittances to the national foreign exchange reserves, help control capital flight, and make for better economic policy formulation and implementation. In particular, remittances from India, which are mostly sent informally, should attract urgent attention of policy measures aimed at formalizing remittance flows. Diplomatic efforts should be stepped up so that Nepali money transfer agencies are allowed to open branches/collection centers in India.

Pant (2011) in his descriptive analysis stated that remittance flows are crucial policy concern since they are large in size, relatively stable and provide direct benefit to households. But for the economy remittance do not automatically contribute to national development. So, government needs to provide incentives to direct remittance to productive investments so that the families of migrant workers are able to undertake small businesses.

Tuladhar, Sapkota, and Adhikari (2014) explained that migrants are unable to convert remittance savings into productive investments in the absence of skills gap, economic diversity, and a financial system that is able to mop up small amounts of savings from multiple sources and channel them into productive business purposes. Other measures that could work, given country socioeconomic and political contexts, are reducing the cost of remitting money, financial literacy, lowering barriers to entrepreneurship, and maintaining overall macroeconomic stability. Researcher recommended that the government could implement policies to enhance skills of both outgoing and returning migrants so that migrants earn more abroad and remit more income to households, ultimately enabling them to acquire more productivity-enhancing capital assets even after discounting for the high share of consumption expenditure. Furthermore, skills enhancement of returning migrants would help them engage more productively in the agriculture sector, potentially helping to increase agriculture yield.

Bhatta (2015) explained that the productive use of remittance is the linear and positive function of financial literacy. Level of financial literacy determine the productive use of remittance. One percent increase in financial literacy leads to increase in productive use by 6.25 percent. The reason behind unproductive use of remittance is the lack of financial literacy and poor financial behaviors like no financial record keeping, no budget making, no financial goal setting, lack of entrepreneurship and business ideas etc. Finally he recommended that government have to provide financial literacy training to the migrants one month before going to foreign employment so that they can share their knowledge to their family and can set financial goal with them.

2.2.2 Empirical Review

NPC (2008) stated that the proportion of households receiving a remittance was 30 percent of all households. For households in rural areas, 31.1 percent received a remittance. For households in urban areas, 24.5 percent received a remittance. Among development regions, the average remittance is the highest in the Western (Rs. 79,484) and the lowest in the Far-western (Rs. 28,412).

Similarly, Per capita remittance received - perhaps a better indicator for the whole population - stands at NRs. 4042. Urban areas have double per capita remittance of rural areas with NRs 6073 and NRs 3681 respectively. Among the development

regions, per capita remittance received ranges from the highest of 6487 Rs in Western region to the lowest of 2052 Rs in Far-Western region. Similarly among ecological belts, per capita remittance received ranges from the highest of 4403 Rs for the Hill belt to the lowest of 2319 Rs in the Mountain belt.

Dahal (2010) highlighted the importance of youth and remittance in Nepalese economy and suggested some measure to mainstream youth and remittance for this purpose. His study shows about 2 million youth works abroad and send foreign currency as remittance which being used as sources of consumption by the government and banking system about 15 percentages in being used in buying land and investing agriculture and industries. He denotes two important resources youth and remittance are interrelated. He says the remittance is cash money created by youth that contributes 21.8 percentages to nation's GDP. It was 10.7 percentages in 2000/01. Total amount of remittance reaches 217 billion in 2008/09. But the two factors are left to vagaries to market. The comments of this study in the state much capitalize both resources for the long term prospects of nation. Finally his study shows remittance is not a permanent resources; it is a significant transitional resources they can be utilized for productive economic investment in economy.

CBS (2011) claimed that the two most reported use of remittance received in Nepal is for daily consumption and for repaying loans. About 79 percent of the total remittance received by the households is used for daily consumption expenditure while 7 percent is used for loans repayment. Other uses are: to acquire household property (5%), education (4%) where only a small percent of remittance (2%) is used for capital formation and the remaining 3 percent is used for other purpose.

NPC (2011) stated that Nepalese' access to basic facilities which has improved in the recent years. Despite political upheavals and unrest, average household income of Nepalese has increased by more than four-fold to Rs 202,374 over the span of 15 years due to rise in the number of employed population, switch from agricultural to non-agricultural jobs and increased receipt of remittances. Remittance is widely spent on daily consumption, followed by loan repayment and household property instead of capital formation. Some 78.9 per cent of the remittance is used on daily consumption, whereas 7.1 per cent of the remittance is used to repay loans followed by 4.5 per cent on household property, 3.5 per cent on education and only a minimal 2.4 per cent is

used on capital formation. However, percentage of household receiving remittances has also more than doubled from 23.4 per cent 15 years ago to 55.8 per cent in 2010.

Panta, Pandey and Rahut, (2011) explained that the government has opened 108 countries for foreign employment, over 93 percent of the migration is destined only to four countries, namely Malaysia, Qatar, Saudi Arabia and United Arab Emirates. The migration plays a major role in Nepalese economy with 1.6 million people (5.9 percent of the population) working abroad.

Similarly, they further states that remittance decreases the poverty head count significantly. One million increase in the remittance flow decreases the poverty head count by 0.007 percent.

Sherpa (2011) conducted a research in Far Western and Mid Western Development Regions of Nepal at two levels: macro and micro (village level) and stated that the use of remittances varied from person to person, and with family size and economic status. There is no real culture of saving and investment and people lacked awareness of the potential benefits. Most people simply spent what they earned and migrated in order to bring back food and money to live on for the next 4 to 6 months. Labor migrants brought new skills like driving, construction, cooking, electrical skills, and house painting when they return to the villages. But opportunities to use these skills, or invest the savings, were very limited. Lack of ideas, of opportunities for entrepreneurship, and of access to markets, all discouraged returned migrants from investing even the small sums that they have.

The researcher further stated that the few who did invest or start a business were generally the ones who were not in such a bad 'hand-to-mouth' situation and did not have to worry about feeding their families for the remaining months. Some invested in small enterprises, taking further loans from co-operatives (COs) and projects like the Western Upland Poverty Alleviation Project. The typical investment and employment opportunities in the area included raising goats, setting up a shop (tailor's, mechanic's, electrical, cycle repair) or restaurant, high value farming (high value products, organic, vegetable, plant nursery) and construction work. Most of the migrant workers in the areas studied migrated because they did not have sufficient income to sustain their family for the entire year and could not find enough opportunities to work in their village. Those who already have money or have

managed to save money from migration prefer to stay in the mountains with their families, looking after their livestock and agricultural land.

MoLE (2014) wrote that in the FY 2013, the number of international migrants worldwide reached 232 million, up from 175 million in 2000, with an annual growth rate hovering around 2 per cent. Labour migrants comprise a significant proportion of all international migrants and the ILO estimates that some 105 million persons worked in a country other than the land of their birth in the FY 2010. There has been a steady increase in the total number of labour permits issued for foreign employment. A total of 2,226,152 labour permits were issued over the six-year period, representing a staggering 137 per cent increase between FY 2008/09 and FY 2013/14, which represents about 8 per cent of Nepal's total population. As previously explained, there are two approaches to obtaining a labour permit. Prospective migrants acquire the permit on their own from the Department of Foreign Employment or they use the services of a recruitment agency that facilitates the process on their behalf. Using an agency has been the preferred approach, at 77.7 per cent over the past six years. According to the data on labour permits issued, men account for the bulk of the labour migrants over the past six years, at 95.1 per cent. However, there has been a significant increase in the number of permits acquired by women, at 239 per cent over the six-year period, compared with nearly 133 per cent for men.

The report further stated that of the more than 2.2 million labour permits issued over the past six years, 1,729,252 of them were arranged through a recruitment agency. The receivers represented all 75 districts of Nepal, 27 with the top-ten districts of origin Dhanusa, Mahottari, Jhapa, Morang, Siraha, Nawalparasi, Saptari, Sunsari, Sarlahi and Rupandehi. The top-ten districts constituted 36.4 per cent of all labour permits issued over the six-year period, and as shown, are largely southern border districts.

Pathak (2016) explained that there are monetary and non monetary cost and benefits of foreign employment. Non monetary benefit and costs cannot be measured in terms of money. But monetary costs and benefits can be measured in terms of money. Monetary cost includes opportunity cost (OC) and cost paid by migrants for foreign employment (CPMFE). Similarly monetary benefits includes remittance in terms of cash and remittance in terms of kind. Net benefit of remittance is the difference between monetary benefits and monetary costs.

The opportunity cost for foreign employment is about 9,275 per month and 1,11,300 per year. Similarly, the cost paid by migrant for foreign employment is 51,860 per year. So, the total monetary cost for foreign employment is found about 1 Lakh, 63 thousand, 1 hundred and 60 per year. On the other hand average remittance send back in terms of cash is 2 Lakh 97 thousand 5 hundred per year and the average remittance in terms of commodity or kind is about 22 thousand 3 hundred 33 per year. Thus the total monetary benefit is about 3 Lakh, 98 thousand, 8 hundred thirty-three per year.

She found that the net benefit obtained from foreign employment after deducting the total monetary cost from total monetary gain is 1 Lakh, 56 thousand, 6 hundred seventy-three. Finally she concluded that foreign employment is relatively beneficial.

Dhungana (n.d.) presented a data of utilization of remittance and recommended that, the government should develop appropriate training and education programs to assist returning migrants or remittance receipts in making effective investment decision. Moreover, the appropriate infrastructure should be developed to generate favorable investment climate and be complement investments out of remittances. The capital, skills and technology which migrant workers bring back home are among the most valuable gains from foreign employment that should be properly utilized by the government. The result shows that mere increasing remittance income does not support for the economic growth and development of the nation unless it is extensively used into the productive sectors. He recommended to the government agencies for the formulation and implementation of remittance utilization policy for the enhancement of national economy.

2.3 Research Gap

The previous studies undertaken about remittance have their own importance. Pervious studies do not explain about the channelization of remittance into productive sector. The present study tries to explain the either the migrants channel international remittances into productive investments at home or not. Remittance itself does nothing if it is not channelized on the productive sector. So, this study tires to examine the status of channelization of remittance into productive sector.

CHAPTER – III

RESEARCH METHODOLOGY

Research methodology is very important because utility and validity of any research can be judged by the methodology employed. This chapter explains about the preparation and execution of fieldwork for this study justification of the utilization of a favor instruments in the field together with the description, the way of presentation and the analysis of the received information and data.

3.1. Research Design

This study is a case study of Angkhop VDC, Taplejung district. So, it is a micro level study. This is analytical as well as descriptive type of research design. The main objective of this study is to investigate the various facts related remittance especially the channelization of remittance into productive sector. On this basic of the nature of the study, descriptive and analytical as well as exploratory research design has been used in order to analyze and interpret the date.

3.2. Nature and Sources of Data

The nature of this study is descriptive as well as analytical. This study is based on both primary and secondary data and information. Primary data has collected through the questionnaire, observation, key informant interview, focused group discussion and observation. The secondary data has collected through various published and unpublished materials from related organizations.

3.2.1. Secondary Data Collection

Besides primary data, some required data related to the study had been collected from secondary sources available from official and unofficial sources. The relevant data are compiled from publication of the Central Bureau of Statistics, Economic Survey, annual publication of Nepal Rastra Bank, different records of Department of Labor, GoN and other periodicals, journals, books, reports, magazines, seminar papers, reports of research centers, data and information from international organization like The World Bank, ADB, IMF, IDA, UNDP, etc.

3.2.2. Primary Data

All the selected 85 remittance receiving households (RRHHs) are interviewed and relevant information is collected through the medium of open and close ended questionnaire. The researcher took personal interview and the questionnaires were filled. Cross checks, editing and indirect questions were also put sometimes when the answer were thought to be unrealistic and irrelevant. The questionnaire is given in appendix.

3.2.2.1. Population and Sample

Angkhop VDC of Taplejung district was taken as universe of the study. Though the study has mainly focused on the remittance and so RRHHs were taken as population of the study. Simple random sampling method was carried out to select the respondents. There were nearly 840 HHs in the Angkhop VDC of Taplejung district. Out of them, nearly 10 percent households (85 HHs) including both male and female were selected randomly from the ward no 2, 3, 5, 6 and 7 of Angkhop VDC for the study as primary respondents.

3.2.2.2 Tools and Techniques of Primary Data Collection

Various tools and techniques for data collection were employed to obtain different type of data and information. According to the nature of study, the primary data were obtained by using interview, questionnaire, observation and Focus Group Discussion.

) Interview

Interview was carried out household members to collect first hand data from the study area after finalizing questions from pre-testing. A face-to-face interview was conducted with a total of 85 respondents. Questionnaires were divided in several heading and required information was collected.

) Observation

This method was used to make qualitative data like physical and social conditions of the studied population as well as area. Observations were made in various places like respondent's home, farm etc. Respondent's house structure, furnishing, clothes, household member's performance and status in society, condition of farms, etc. were observed.

) Focused Group Discussions (FGDs)

Focus group discussions were conducted to discuss the research issues and to gather various information about remittance in the study area. Through these discussions information about the impression of labour migration, source of livelihood, various impact of labour migration over family etc. was collected. The participants in the discussion were represented from the RRHHs and were the age of 20 to 60 years.

) Key Informant Interview

In depth interview was also conducted with some key informants, like operators of money transfer organization (MTOs) i.e. IME, village elders, local leaders and school teachers, with an expectation to gather detailed information. A total of fifteen key informants were interviewed. These key informants were selected purposively for interview so as to cover representation from different categories. Through the key informants, researcher collected information related to the condition of RRHHs before and after, status of remittance in the area, various matter related to labour migration and many more.

3.5. Data Analysis and Presentation

The available data from the various sources has been classified and tabulated to meet the need of the study after completing the field work. All information of the filled up questionnaires is presented master table after editing the cross checking. The data collected from the various sources is tabulated and presented in table and figure. Similarly, various statistical tools are used in order to interpret the data.

CHAPTER – IV

DATA ANALYSIS AND INTERPRETATION

4.1 Socio-Economic Features of Respondent

This chapter deals with the personal characteristics of respondents like, age, sex composition, material status, literacy rate and occupations etc. which are the most essential to understand the actual situation of respondents.

4.1.1 General Characteristics of Respondents

The general characteristics of respondents includes of household size, dependency ratio and sex of household heads. The detail of general characteristics of respondents is shown in following table.

Table 4.1: General Characteristics of Respondents

Household Characteristics	Outcome	
Household Size	5.9	
Dependency Ratio	3.32	
Sex of Household Head	Male	Female
	40	45

Source: Field Survey, 2016

Table 4.1 shows that average house hold size of remittance receiving family is 5.9, similarly, the dependency ratio is 3.32, which means, 3.32 members are depending on one member's income. Out of total 85 sample household, 40 household's head is male and rest of 45 household's head is female.

4.1.2 Age and Sex Structure of the Respondents

Age and sex are important demographic characteristics. In view of this, age and sex composition of the population of the households have been taken into consideration. The population of the sample household respondent was classified into four age groups. The age sex composition of respondent is given on the table:

Table 4.2: Age and Sex Composition of the Respondents

Age group	Male	Female	Total	Percent
Below 30	11	12	23	27.06
30-44	9	14	23	27.06
45-59	15	17	32	37.65
Above 60	5	2	7	8.24
Total	40	45	85	100.00
Percent	47.06	52.94	100.00	

Source: Field Survey, 2016

The above table shows that out of total respondent 47.06 percents are male and remaining 52.94 percents are female. Out of total sample equal percent i.e. 27.06 percentage respondents are the age of below 30 years and the age group of 30-44, 37.65 percents are the age group of 45-59 and remaining 8.24 percent respondents are the age above 60. Majority of respondents are from the age group of 30-44 in this study.

4.1.3 Caste /Ethnic Composition of the Respondents

Caste/Ethnic composition is another component for research to make the study representative. Every caste and ethnic groups has been represented in the household survey. The caste/ethnicity and composition of the respondent is given on the table 4.3

Table 4.3: Caste/ Ethnicity Status

Cast	Total	Percent
Brahman	25	29.41
Kshetri	34	40.00
Janjati	16	18.82
Dalit	10	11.76
Total	85	100.00

Sources: Field Survey, 2016

Table 4.3 shows that 29.41 percent respondent are from Brahman community, 40.00 percent are from Kshetri community, 18.82 percent are from Janjati, community and remaining 11.76 percent respondents are from Dalit community. Maturities of respondents in the study area are found from the Kshetri community.

4.1.4 Family Types of the Respondents

Every person lives with their families. Families are either joint or nuclear. For this study, joint family includes husband-wife, their children, mother-in-law, father-in-law, brother-in-law, and sister-in-law. Nuclear family includes husband-wife and their children only.

Table 4.4: Distribution of the Respondent Family Types

Types	Nos. of Respondent	Percentage
Nuclear	38	44.71
Joint	47	55.29
Total	85	100.00

Source: Field Survey, 2016

Table 4.4 shows that the majority of the family structure of the respondents was joint (44.71 percent) and minority were Nuclear (55.29 percent). The data shows that the Joint family system is still in existence and has the dominance over nuclear family system in the rural area of Nepal.

4.1.5 Religious Composition of Respondents

Religious composition is the important social characteristics of respondent. Religion also plays a vital role to unite a society and keep solidarity among respondents. It is also a factor that determines the role and responsibilities of men and woman; because different religious groups have their own traditional values and systems which govern people beliefs. The religious status in the study area shows that all respondents are from the Hindu religion.

4.1.6 Marital Status of the Respondents

Marital status is one of the important for socio-economic characteristics. It is also universal demographic component. It can play a vital role to determine the social

status, educational status, household decision making power, public affair and so on. Therefore, the marital status of the forest user household respondent is given Table 4.4.

Table 4.5: Distribution of the Respondent by their Marital Status

Marital Status	Nos. of Respondent	Percentage
Married	73	85.88
Unmarried	9	10.59
Widow/Widower	3	3.53
Total	85	100.00

Source: Field Survey, 2016

Table 4.5 shows the marital status of the respondents. Most of the respondents are married. The study has found the highest of 85.88 percentage respondents were married, 10.59 percent respondents were unmarried whereas only 3.53 percent respondents were matured by age but unfortunately lost their husband or wife.

4.1.7 Educational Status of the Respondents

Level of education helps in creating awareness about the management of remittance as well as better performance in economic activities. Education is also related to economic status and class structure of society. In this study, the data for educational status has been classified into illiterate, literate (either formal or informal education), and primary, secondary, higher secondary and above categories. Illiterate are those who cannot read and write. Literates represent those persons who can read or write either from formal or informal education. Primary education means the academic education up to S.L.C. Higher Secondary education is that the academic education up to intermediate level. And above education is that the academic education above intermediate level. Educational status of the respondents even in sex-wise category has been presented in table 4.6.

Table 4.6: Educational Status of Respondents

Education Level	Female	Male	Total	Percentage
Illiterate	6	5	11	12.94
Literate	4	3	7	8.24
Primary	16	6	22	25.88
Secondary	14	18	32	37.65
Higher Secondary	5	8	13	15.29
Total	45	40	85	100.00

Source: Field Survey, 2016

From the above table 4.6, it can be said that the number of illiterate person is 12.94% of the total sample households which is 11 households. Literate are 8.24% which is 7 household of the sampled households. Primary passed person are 22 households and 25.88% of total sampled households and secondary passed 32, higher secondary passed 13, which is 37.65% and 15.29% respectively.

4.1.8 Occupational Status of the Respondents

Occupation is the back ground of the economy and economic indicators of the population. It is one of the most influencing variables that determine the economic condition of the country. The main occupation status of the sampled household is given on the table 4.7:

Table 4.6: Main Occupational Status of the Respondents

Main occupation	Male	Female	Total	Percent
Agriculture	29	37	66	77.65
Business	3	4	7	8.24
Public Service	2	0	2	2.35
Wage/ labour	4	3	7	8.24
Student	2	1	3	3.53
Total	40	45	85	100.00

Source: Field Survey, 2016

Agriculture is the main occupation of the people living in Angkhop VDC of Taplejung district. Table shows that nearly 77.65 percentage of the respondent are involved in agriculture occupation, only 8.24 percent are involve in business. Then only 2.35 percent respondents involved in public service, 8.24 percent respondents involved in wage labour and 3.53 percent respondents are student. So, most of respondents have adopted agriculture as the main occupation.

4.1.9 Land Holding Size

Land holding size of the respondent is given on the table 4.7:

Table 4.7: The Land Holding Size of the Respondents

Khet holding size (Ropani)	No of Respondent	Percent
0-5	29	34.12
5-10	22	25.88
10-15	19	22.35
15-20	9	10.59
Above 20	6	7.06
Total	85	100

Source: Field Survey, 2016

Table 4.7 mentions that 34.12 percentage respondents have below 5 *Ropani* land, 25.88 respondents have 5-10 *Ropani* land, 22.35 percentage respondent have 10-15 *Ropani* land. Similarly, 10.59 percent of respondents have 15-20 *Ropani* land and remaining 7.06 percentage respondent have land above 20 *Ropani*. From the above data it can be concluded that the people are dependent upon agriculture and the main source of foreign employment is agriculture.

But the result of focus group discussion shows that all land is not totally utilized because of foreign employment. It is because of lack of labour fource available for the cultivation of land.

4.2 Remittance in Angkhop VDC of Taplejung District

This chapter provides description the various findings related to remittance based on the information collected from primary data. Similarly, various findings derived from the data analysis has been discussed and presented in the form of table and different charts.

4.2.1 Age Category and Educational Level of Migrants

Migrant's age and educational attainment is most important which determine the wage of worker. And it also indicates the labour force status and status of brain drain of Nepal.

Table 4.8: Age Category and Educational Attainment of Migrants

Age Group	No. of Migrants	Percent
Below 15	0	0.00
15-29	41	48.24
30-44	29	34.12
45-59	13	15.29
60 or Above	2	2.35
Educational Attainment of Migrants		
Level of Education	No. of Migrants	Percent
Primary	11	12.94
Lower Secondary	27	31.76
Secondary	35	41.18
Higher Secondary	12	14.12
Above Higher Secondary	3	12.94

Source: Field Survey, 2016

Table 4.8 shows that age group has been formulated as per the method of categorizing the age of migrated persons by NLSS. Below the age of 15 years no one has been gone abroad. And above 60 years only 2.35 percent migrants seems to abroad. Similarly, 48.24 percent of migrants are from age group of 15-29, 34.12 percent of

migrants are from age group of 30-44 and only 15.29 percent are from age group 45-59 years. This shows that energetic youth are going to abroad but the country is facing the shortage of labour.

Similarly, there are 12.94 percent of migrants were passed primary level only, 31.76 percent migrants were passed secondary level, 41.18 percent were passed secondary level, 14.12 percent migrant were passed higher secondary level of education. This shows that most of migrants are less educated and because of lack of employment opportunity in country they tends to migrated.

4.2.2 Status of Technical Skill

Status of technical skill play vital role on foreign employ to determined the salary. Skilled man power paid relatively higher salary than unskilled. The status of technical skill can be shown in the following figure.

Figure 4.1: Status of Technical Skill



Source: Field Survey, 2016

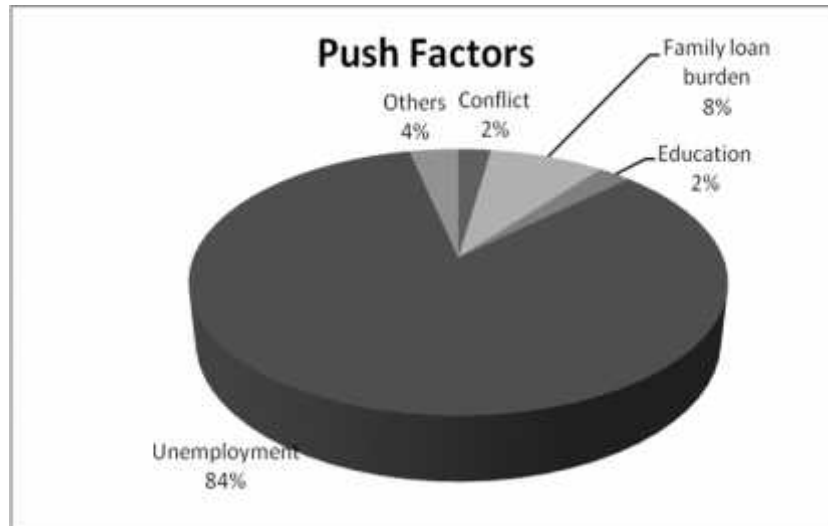
Figure 4.1 shows that only 4 percent migrants are skilled, 14 percent migrants are semi-skilled and remaining 82 percent migrants are unskilled. This shows that most of the migrants are unskilled which may be the main reason for less salary of Nepalese worker in foreign countries.

4.2.3 Causes of Migration

There are so many causes that influence for the foreign employment. Basically the causes of foreign employment can be divided broadly into two categories: Pull Factors and Push factors. Pull factor influence the migrants by pressing them to go for

foreign employment and push factors influence the migrants by attracting the migrants for foreign employment. The pull factors and push factors can be shown in the following figure.

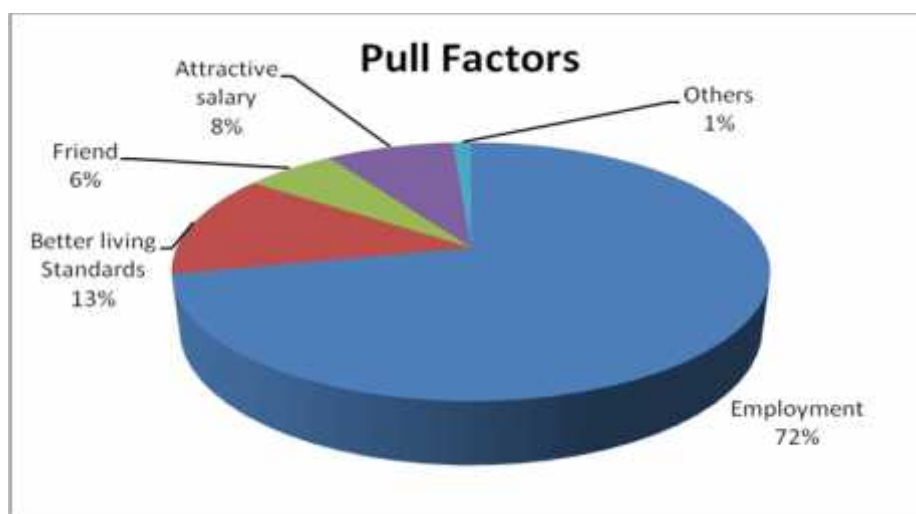
Figure 4.2: Push Factors for Foreign Employment



Source: Field Survey, 2016

Figure 4.2 shows that the push factor for 2 percent of migrants is conflict and education equally. Family loan burden is the push factor for 8 percent family and the main push factor is the unemployment which is influenced to 84 percent of respondents.

Figure 4.3: Pull Factors for Foreign Employment



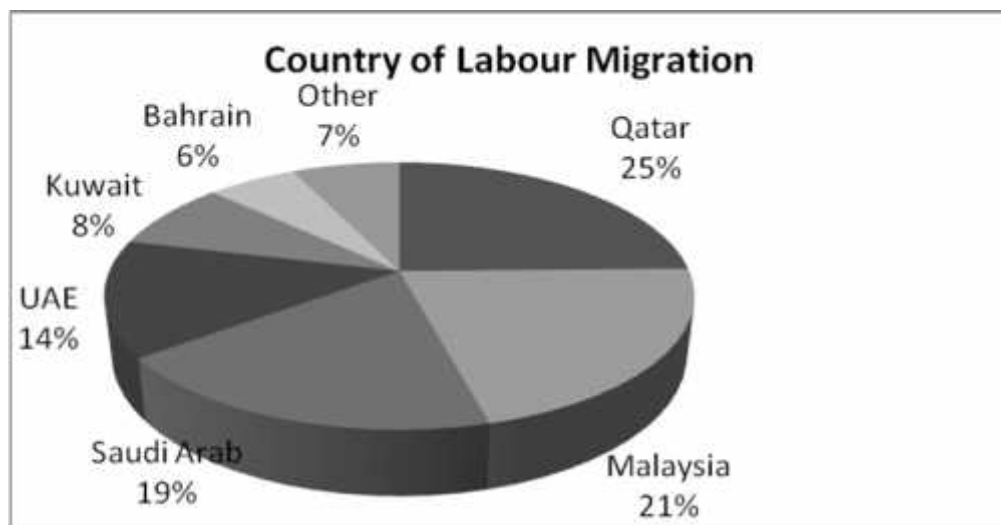
Source: Field Survey, 2016

Figure 4.3 shows that employment opportunity obtaining is the main pull factor for most of the migrants which is about for 72 percent migrants. Similarly, better living standards is the pull factor for 13 percent of migrants, attractive salary is the upll factor for 8 percent migrants, friends are the pull factor for 6 percent of migrants and other factors influence to pull for foreign employment for only 1 percent of migrants.

4.2.4. Migrated Country and Field of Work

Most of the workers from study area seem to goes to Arab countries for foreign employment like Malaysia, Saudi Arabia, Qatar, UAE and Bahrain.

Figure 4.4: Country of Labor Migration

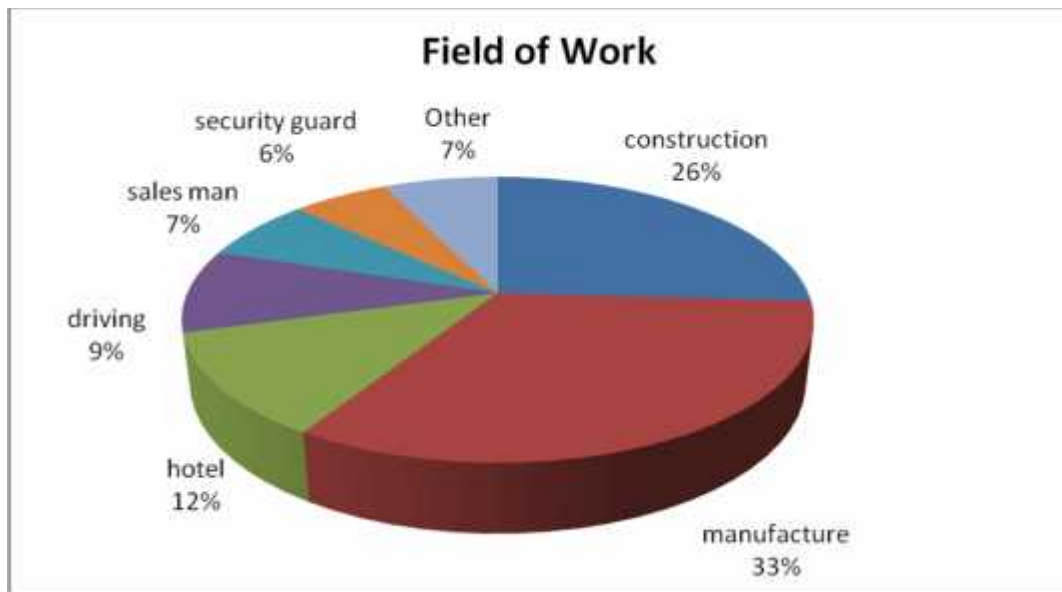


Source: Field Survey, 2016

Figure 4.4 shows that large percentage of migrants goes to Qatar (25%), similarly 21 percent migrants goes to Malaysia, 19 percent to Saudi Arab, 14 percent to UAE, 8 percent to Kuwait, 6 percent to Bahrain and remaining 7 percent migrants are migrated to other countries like South Korea, Japan etc.

The main destination of foreign employment are Gulf countries because of the easy to visa process and low cost for foreign employment, no quota system and no additional course is needed to go such countries and the viability of jobs to unskilled labor is another reason for that.

Figure 4.5: Major Occupation of Migrants at Destination



Source: Field Survey, 2016

Most of migrants are less educated and so they are working in foreign land as unskilled and semiskilled workers. The figure shows that most of migrants have been working in manufacturing. Similarly 26 percent migrants are working in construction of building, 12 percent workers are working in hotel, 9 percent are working as driver, 7 percent are working as sales man, 6 percent are working as security guard, and rest of 7 percent migrants are working in other field of job.

The data shows that Nepalese migrants are mostly unskilled and semi-skilled and so they are getting low salary. To collect more remittance government have to focus on providing training to migrants to make them skilled manpower to receive more remittance.

4.2.5 Cost Paid by Migrants for Foreign Employment

Migrants have to pay certain amount of money while going to abroad. Manpower Company charges some amount for visa, passport, ticket etc, for which migrants have to bear that amount.

Table 4.9: Monetary Cost of Foreign Employment (in Thousands Rupees)

Country	Percent of Respondent	Average Cost	Range of Cost	
			Minimum	Maximum
Qatar	24.71	112	90	140
Malaysia	21.18	95	80	120
Saudi Arab	18.82	93	80	130
UAE	14.12	95	85	120
Kuwait	8.24	116	100	140
Bahrain	5.88	117	90	135
Other	7.06	621	150	1000
Total/Average	100.00	178	96	255

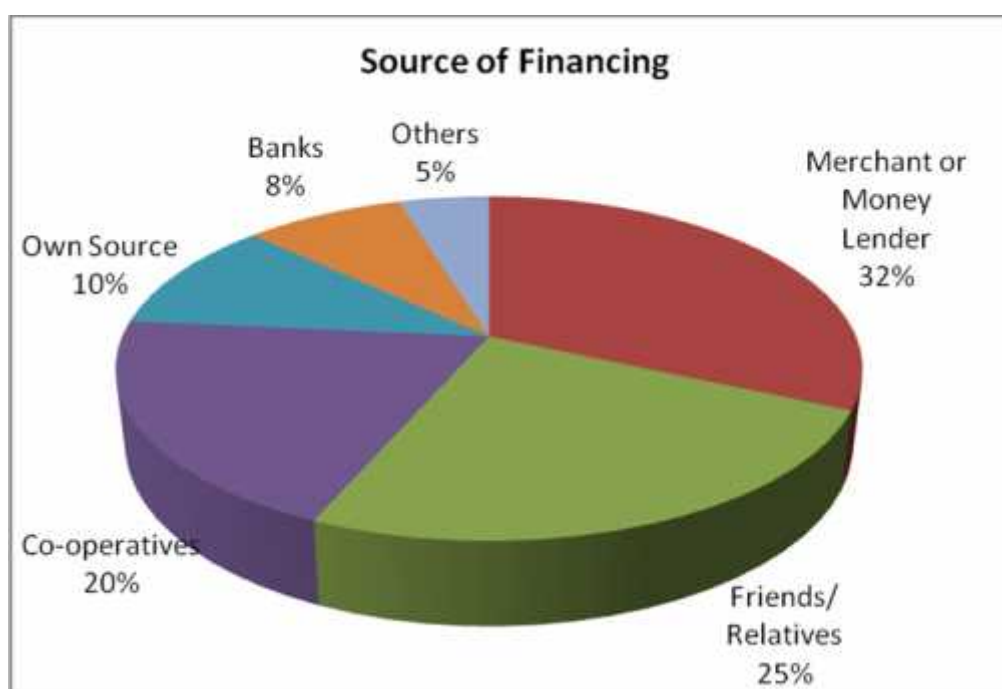
Source: Field Survey, 2016

Table 4.9 shows the range of cost with minimum and maximum cost and average cost paid by migrants for foreign employment. The average minimum cost paid by migrants is Rs. 96 thousand which is for Arab countries and maximum average cost is 255 thousand which is for the countries like USA, Japan and other countries. The average cost for foreign employment is Rs. 1 Lakh 78 thousand.

4.2.6 Sources of Financing

Most of the families of migrants have been involving in agriculture occupation and the income in agriculture sector is very low. They are not able to save more money for foreign employment. So, migrants collected fund for foreign employment by taking loan from various sources like money lender, friends, relatives, bank, cooperatives and other sources. The source of financing for foreign employment is shown in following table.

Figure 4.6: Source of Financing for Foreign Employment



Source: Field Survey, 2016

Figure 4.6 shows that, majority of migrants collected fund for foreign employment from merchant or money lender, which are about 32 percent, similarly, 25 percent have collected from friend/relatives, 20 percent have collected from co-operatives, 10 percent migrants have financed from own source, 8 percent have financed by bank and remaining 5 percent have financed for foreign employment from other sources.

The above data shows that banking and financial institutions are still not in the access of rural people and they are still using the traditional source of finance.

4.2.7 Remittance Income

Nepal is largely depending on remittance and so remittance is the backbone of country. Remittance is the reward to country for the sacrifice of national labour force. The main objective of going foreign employment is to earn money and send back to their home so that they can improve their standard of living. So, remittance have direct impact on migrants family on the one side and on the other it has indirect impact to national economy. The remittance send by migrants is shown in the table below:

Table 4.10: No. of Households Receiving Remittance

Remittance Income (per year)	No. of Migrants	Percent
Below 2 Lakh	17	20.00
2 to 4 Lakh	40	47.06
4 to 6 Lakh	16	18.82
6 to 8 Lakh	9	10.59
Above 8 Lakh	3	3.53
Total	85	100.00

Source: Field Survey, 2016

Above table shows the remittance send back by migrants per year. According to the table 20 percent migrants are sending remittance below 2 Lakh per year, 47.06 percent migrants are sending remittance between 2-4 Lakh, 18.82 percent migrants are sending remittance between 4-6 Lakh, 10.59 percent are sending remittance between 6-8 Lakh and only 3.53 percent migrants are sending remittance above 8 Lakh per year. Most of the migrants are sending remittance between 2 to 4 Lakh per year. This statistics shows that migrants are sending remittance in small amount and this is because most of migrants are less educated and are unskilled and semi-skilled.

4.2.8 Methods of Receiving Remittances

Method of receiving remittance means either migrant's families are receiving remittance by formal channel or by informal channel. The method of receiving remittance is given in the table below:

Table 4.11: Methods of Receiving Remittances

Methods	No of households	Percent
Only formal channel	21	24.71
Only informal channel	30	35.29
Both formal and informal channel	34	40.00
Total	85	100.00

Source: Field Survey, 2016

Table 4.11 shows that 24.71 percent families are receiving remittance through formal channel only, 35.29 percent families are receiving remittance through only informal channel and rest of the 40 percent respondents are receiving remittance through both formal and informal channel.

For the formal transaction of remittance there is the need of availability of banking and financial institutions in the local area. But in the study area there no banking and financial institutions are available nearby. So, it can conclude that most of families are receiving remittance through informal channel because of not availability of banking and financial institutions in the study area.

4.2.9 Expenditure Pattern of Remittance Income

The remittance amount is not only sufficient to increase the standard of living as well as the financial condition of RRHHs but use of remittance is the factor which play the vital role in determining financial condition and standard of living of households. The use of remittance can be divided into several sub-heading including regular household expenditure, other expenses, expenditure on human capital, expenditure on non-human capital etc. The yearly expenditure pattern of RRHHs can be shown in the table below.

Table 4.12: Expenditure Pattern of Remittance Income

Sector	Average Yearly Expenditure	Percent
Regular HH expenditure	119,000	37.78
Expenditure on food item	25,000	7.94
Expenditure on non-food item	42,000	13.33
Cultural expenses	21,000	6.67
Durables	31,000	9.84
Other expenses	83,000	26.35
Loan & Interest payment	42,000	13.33
Real estate	41,000	13.02
Expenditure on human capital	42,000	13.33
Education	25,000	7.94
Health	17,000	5.40
Expenditure on non-human capital	37,000	11.75
Agricultural Investment	5,000	1.59
Business Investment	32,000	10.16
Saving	34,000	10.79
Total	315,000	100.00

Source: Field Survey, 2016

Table 4.12 shows that the larger portion of remittance is used in regular expenditure annually. Data presented in table shows that 37.78 percent of remittance is used for regular household expenditure including expenditure on food item, non-food item, cultural expenses and purchasing durables like TV, mobile etc. Similarly, 26.35 percent spend on other expenses including repayment of loan and interest (13.33%) and real estate (13.02%). The investment of remittance on human capital is 13.33 percent including education (7.94%) and health (5.40%). Similarly 11.75 percent remittance is used for non-human capital including agricultural investment (1.59%)

and business investment (10.16%). Remaining 10.79 percent of remittance is saved for future uncertainty and risk.

Migrant's families are spending large portion of remittance on regular household expenditure and small portion of remittance is saved. Only few portion is spend on agriculture and business investment. Here investment in agriculture is very small portion indicates that migrant's families are not utilizing their land because of lack of manpower available for agriculture.

In conclusion remittance is mostly spending on unproductive sector which does not ensure the increase in living standard and financial condition of RRHHs.

4.2.10 Channelization of Remittance in Productive Investment

The term productive use refers to such use of remittance which helps to increase in the level of income of households. There is no any unique measure of productive use of remittance. However this study tries to explain the productive use by including the expenditure on human capital, non human capital. Similarly saving of remittance also included in the productive use of remittance.

The expenditure on human capital increases the efficiency and productivity of labour and ultimately it increases the income on individual indirectly. From the table 5.6 the expenditure in human capital is about 13.33 percent. Expenditure of education of children occupied 7.94 percent and the expenditure on health occupied only 5.40 percent.

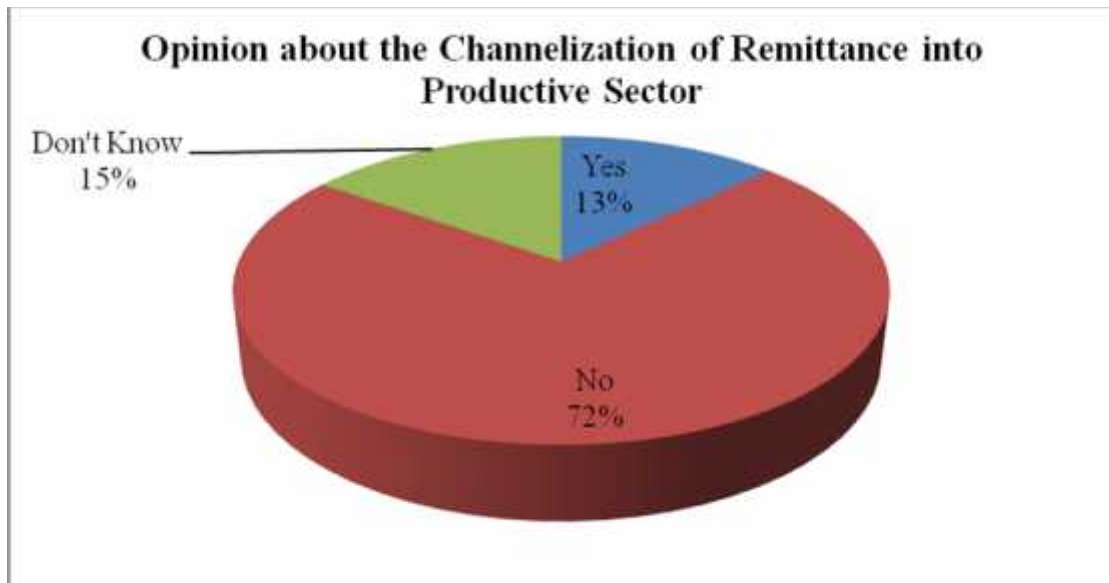
Similarly, investment on non human capital increases the level of income directly. The total investment on non-human capital is 11.75 percent of remittance income. From the table 4.6 it can be obtained that, 77.65 percent migrant's family has adopted agriculture occupation but the average expenditure on agriculture is only 1.59 percent. Similarly, 8.24 percent migrant's families have adopted business occupation and the business is made by using remittance. The average expenditure on business is 10.16 percent. The average saving of migrant's family occupied 10.79 percent.

The total use of remittance channelized into productive investments at home includes of expenditure on human capital, expenditure on non-human human capital and saving. It occupied 35.87 percent of total remittance income.

4.2.10.1 Opinion about the Channelization of Remittance into Productive Sector

The opinion about the remittance spend by migrant's family is either in the productive or no is most important. The opinion about the channelization of remittance into productive sector is shown in the following figure.

Figure 4.7: Opinion about the Channelization of Remittance into Productive Sector



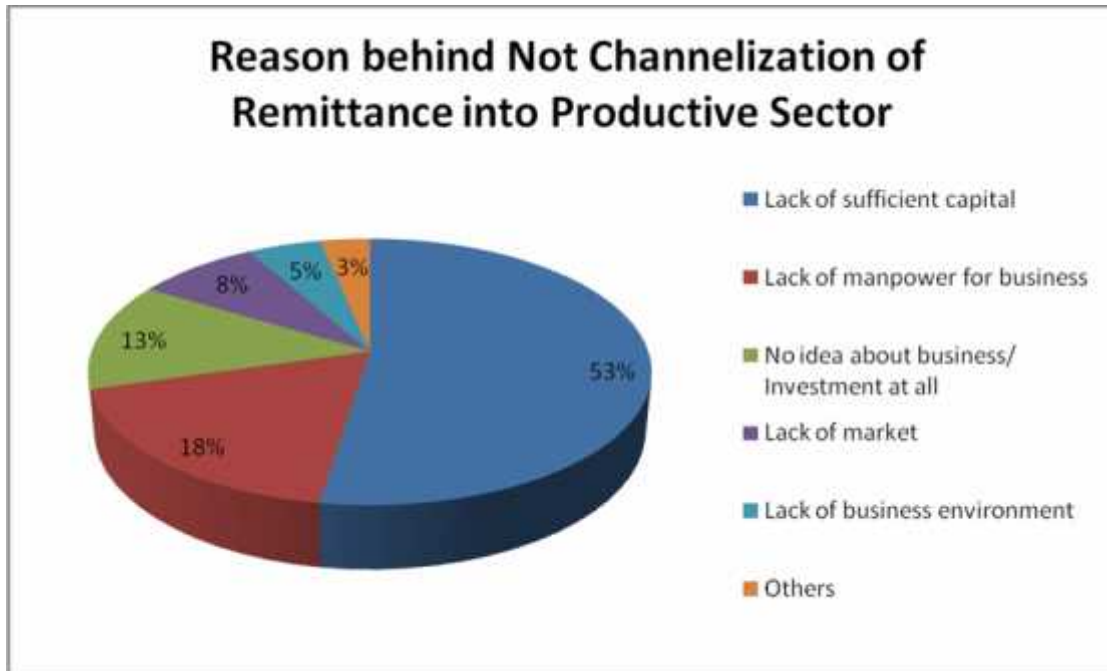
Source: Field Survey, 2016

Figure 4.7 shows that 13 percent migrant's family thinks that they spend remittance into productive sector, however 72 percent migrant's family thinks that they do not spend remittance into productive sector and 15 percent migrant's family said that they don't know either they spend remittance into productive sector or not. Most of the migrant's family thinks that they are unable to channelize remittance into productive sector.

4.2.10.2 The Reason behind not Channelization of Remittance into Productive Sector

The reason behind not channelization of remittance into productive sector can be shown in the following figure.

Figure 4.8: The Reason behind Not Channelization of Remittance into Productive Sector



Source: Field Survey, 2016

According to the figure 4.8 most of the respondents said that the main reason behind not channelization of remittance into productive sector is the lack of sufficient capital to start up business and which are about 53 percent, 18 percent respondents said the reason is the lack of manpower for business, 13 percent said the reason is no idea about business/ investment at all, 8 percent said the reason is lack of market, 5 percent said the reason is lack of business environment and remaining 3 percent said there are other reasons for not channelizing remittance into productive sector.

4.2.11 Trend of Foreign Employment and Remittance Income in Nepal

One of the objective of this study is to find out the trend of foreign employment and remittance income in Nepal. The trend of foreign employment and remittance income shows the overall situation of labor employment of Nepal. To find out the trend of foreign employment and remittance income the data of 10 year from 2005/06 to 2015/16 can be used from economic survey.

4.2.11.1 Trend of Foreign Employment

The main reason behind foreign employment is the lack of employment opportunity in the domestic resident. The trend of foreign employment in Nepal is going to increase every year. The trend of foreign employment is shown in the following table and figure.

Table 4.13: Trend of Foreign Employment

S.N.	Fiscal Year	No. of Migrants
1	2005/06	1,23,279
2	2006/07	2,04,533
3	2007/08	2,29,373
4	2008/09	2,19,965
5	2009/10	2,94,094
6	2010/11	3,54,716
7	2011/12	2,50,172
8	2012/13	2,76,787
9	2013/14	3,11,562
10	2014/15	3,64,740
15	2015/16*	2,80,235

Note: * denotes data of first eight month.

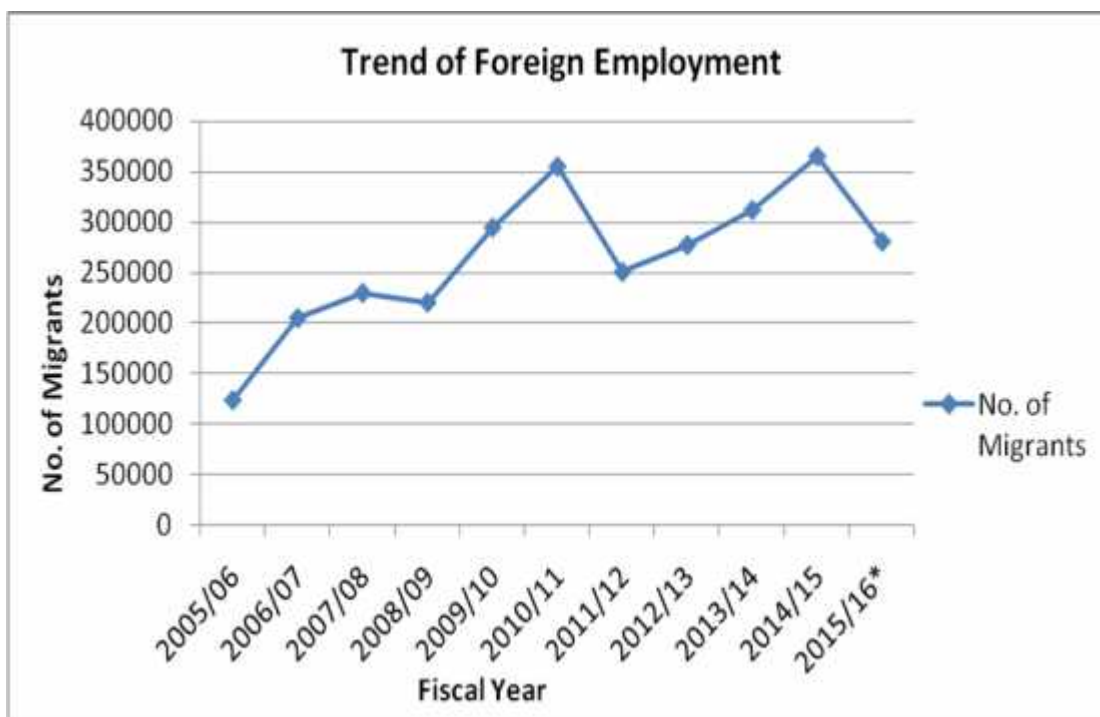
Source: Economic Survey -2016, Ministry of Finance.

Foreign employment is the main alternative for Nepalese youth. Due to the lack of industrialization, lack of business environment and many other reason, Nepalese youth are not getting job in domestic resident. The number of migrants are going to increased year by year. The data shows that 1,23,279 youth were went for foreign employment in FY 2005/06 but in the FY 2006/07 about 2,04,533 youth were went for foreign employment. The number increased continuously and reached 3,64,740 in FY 2014/15 and the first eight month of FY 2015/16 the number of migrants reached

increased and reaches 2,80,235. This shows that Nepalese youth are seeking job in foreign land.

Based on the table 5.7 the trend of foreign employment can be explained with the help of following figure.

Figure 4.9: Trend of Foreign Employment



Note: * denotes data of first eight month.

Source: Economic Survey -2016, Ministry of Finance.

Figure 4.9 shows the increasing trend of foreign employment. the trend of foreign employment goes increasing each year. In the FY of 2005/06, there are very few labour goes for foreign employment but the trend of migrant increases up to FY 2010/11. The number of migrants decreased in FY 2011/12 and again it increases continuously. The total number of Nepalese labour goes to foreign country in first eight month of FY 2015/16 are 2,80,235.

The trend of foreign employment shows that most of Nepalese are performing to go to the foreign country in search of job. The main reason behind that is the unavailability of job in domestic resident, low wage/salary, seasonal employment opportunity in agriculture, political instability and so on.

4.2.11.2 Trend of Remittance in Nepal

Remittance is most important for Nepalese economy. it is the back bone of Nepalese economy because it provides foreign currency reserve and also provide fund for investment. It is playing vital role to boost up the economy. BOP of Nepal is not in deficit just because of remittance. The remittance income per year, annual change in remittance and the ratio to GDP is shown in the following table.

Table 4.14 Nature of Remittance Income

S.N.	Fiscal Year	Remittance Income (Rs. In Billion)	Annual % Change	Ratio to GDP
1	2005/06	97.7	49.0	14.9
2	2006/07	100.1	02.5	13.8
3	2007/08	142.7	42.5	17.5
4	2008/09	209.7	47.0	21.2
5	2009/10	231.7	10.5	19.4
6	2010/11	253.6	9.4	18.5
7	2011/12	359.6	41.8	23.5
8	2012/13	434.6	20.9	25.6
9	2013/14	543.3	25.0	27.5
10	2014/15	617.5	13.6	29.1
15	2015/16*	679.0	10.0	32.1

Note: * denotes data of first eight month.

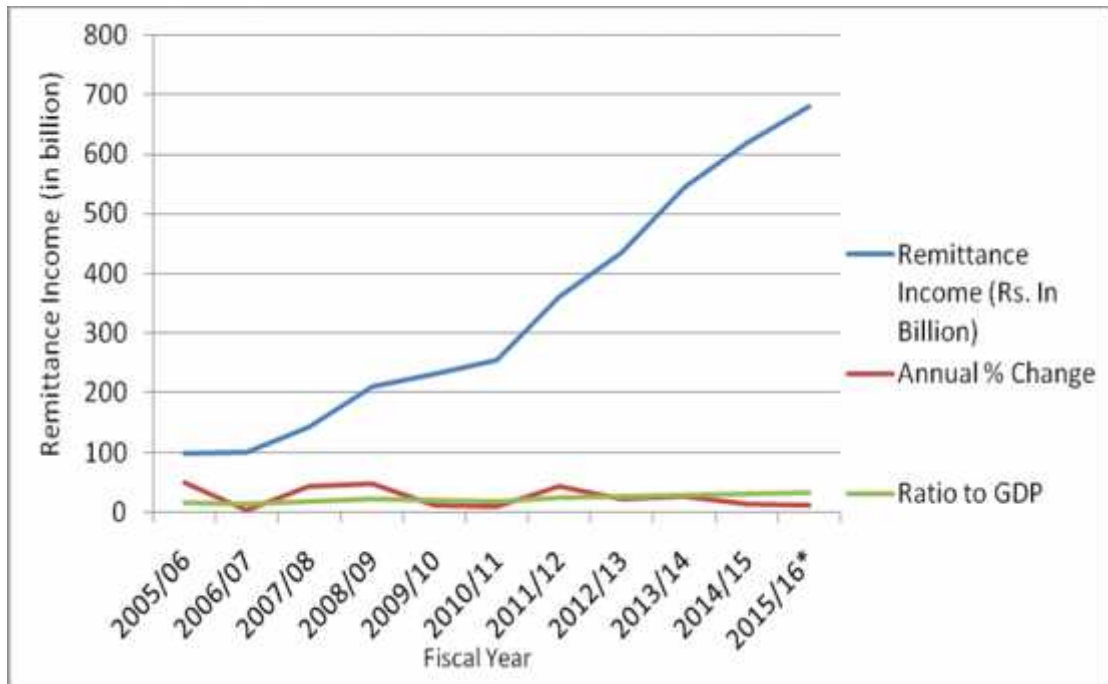
Source: Economic Survey -2016, Ministry of Finance.

Table 4.14 shows that the nature of remittance income in from FY 2005/06 to 2015/16. The data shows that the remittance income was 97.7 billion in FY 2005/06. The annual change in remittance income was only 49.0 percent in this year and remittance, GDP ratio was 14.9. The remittance income increases each year and also increases annual change and remittance GDP ratio. The remittance income is reached 679.0 billion in FY 2015/16 with annual change by 10 percent. The remittance GDP

ratio reached 32.1 percent at this year. This shows that remittance is contributing largely in our economy. Because of the contribution of remittance in Nepalese economy it can be said that remittance is the backbone of country.

The trend of remittance income can be shown in the figure below.

Figure 4.10 Trend of Remittance Income



Note: * denotes data of first eight month.

Source: Economic Survey -2016, Ministry of Finance.

Figure 4.10 shows the increasing trend of remittance income. The trend of remittance income is going to increase year by year from the beginning up to FY 2015/16. In the year of 2005/06 the remittance income was only 97.7 billion. The remittance income increased each year and reached 679.0 billion in the first eight month of FY 2015/16.

Similarly the trend of annual change in remittance is fluctuated each year. And the remittance GDP ratio seems increasing each by small portion. This indicates that remittance one of the main pillar of the Nepalese economy.

CHAPTER-V

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Remittance play significant role in developing countries like Nepal. It provides employment opportunity to the unemployed youth and so it is the reliable source of income of most of the households of rural area. The main objective of this study is to find out the trend of foreign employment and remittance income in Nepal. Similarly, this study tries to examine the expenditure pattern of remittance in study area. Furthermore, this study analyzed the use of remittance channelized into productive investments at home or not.

This study is descriptive and analytical in nature Angkhop VDC of Taplejung district was selected to fulfill the objectives of present study. To obtain the information about remittance primary and secondary data was used. Primary data was collected by household survey through questionnaire during 2016. To make the study comparative secondary data was obtained from various published and unpublished sources. To collect the primary data .. households was selected in sample by using simple random sampling. Collected data were presented in different table, charts, figure etc and analyzed by using various statistical tools like percentage and average.

Analysis of data shows that remittance have significant role in the reduction of rural poverty and improve in the standard of living of households by creating employment opportunity and increasing level of income. The data shows that 35.87 percent of remittance is channelized in productive sector by households.

The major findings of this study are as follows:

-) Most of the migrants (48.24%) are going to abroad of age group of 15.29 years. Energetic youth are going to abroad so the country is facing the shortage of labour.

-) Most of the migrants (41.18 %) were passed secondary level education. This shows that most of migrants are less educated and because of lack of employment opportunity in country they tends to migrated.
-) Most of the migrants are unskilled which may the main reason for less salary of Nepalese worker in foreign countries.
-) The cause of foreign employment of most migrants is the lack of employment in Nepal or the pull factor is employment opportunity obtained on foreign countries.
-) The main destination of foreign employment are Gulf countries including Saudi Arab, Qatar, Malaysia, UAE etc. because of the easy to visa process and low cost for foreign employment, no quota system and no additional course is needed to go such countries and the viability of jobs to unskilled labor is another reason for that.
-) The average minimum cost paid by migrants is Rs. 96 thousand which is for Arab countries and maximum average cost is 255 thousand which is for the countries like USA, Japan and other countries. But in all together the average cost for foreign employment is Rs. 1 Lakh 78 thousand.
-) Banking and financial institutions are still not in the access of rural people and so most of the migrants are still dependent on the traditional source of finance like merchant/money lender, friend and family etc.
-) Most of the migrants (47.06) are sending remittance between 2 to 4 Lakh per year. This shows that migrants are sending remittance in small amount and this is because most of migrants are less educated and are unskilled and semi-skilled.
-) Most of families are receiving remittance through informal channel because of not availability of banking and financial institutions in the study area. About 24.71 percent families are receiving remittance through formal channel only, 35.29 percent families are receiving remittance through only informal channel and rest of the 40 percent respondents are receiving remittance through both formal and informal channel.
-) The data of finding shows that 37.78 percent of remittance is used for regular household expenditure including expenditure on food item, non-food item,

cultural expenses and purchasing durables like TV, mobile etc. Similarly, 26.35 percent spend on other expenses including repayment of loan and interest (13.33%) and real estate (13.02%). The investment of remittance on human capital is 13.33 percent including education (7.94%) and health (5.40%). Similarly 11.75 percent remittance is used for non-human capital including agricultural investment (1.59%) and business investment (10.16%). Remaining 10.79 percent of remittance is saved for future uncertainty and risk.

-) This study tries to explain the productive use by including the expenditure on human capital, non human capital. Similarly saving of remittance also included in the productive use of remittance. The total use of remittance channelized into productive investments at home includes of expenditure on human capital, expenditure on non-human human capital and saving. It occupied 35.87 percent of total remittance income.
-) Out of total 13 percent migrant's family thinks that they spend remittance into productive sector, however 72 percent migrant's family thinks that they do not spend remittance into productive sector and 15 percent migrant's family said that they don't know either they spend remittance into productive sector or not.
-) Most of the respondents said that the main reason behind not channelization of remittance into productive sector is the lack of sufficient capital to start up business and which are about 53 percent out of total.
-) The secondary data obtained from Economic Survey shows that 1,23,279 youth were went for foreign employment in FY 2005/06 but in the FY 2006/07 about 2,04,533 youth were went for foreign employment. The number increased continuously and reached 3,64,740 in FY 2014/15 and the first eight month of FY 2015/16 the number of migrants reached increased and reaches 2,80,235. This shows that the trend of foreign employment is increasing and most of the Nepalese youth are seeking job in foreign land.
-) The finding of this study shows that the remittance income was 97.7 billion in FY 2005/06. The annual change in remittance income was only 49.0 percent in this year and remittance, GDP ratio was 14.9. The remittance income increases each year and also increases annual change and remittance GDP ratio. The remittance income is reached 679.0 billion in FY 2015/16 with annual change by 10 percent. The remittance GDP ratio reached 32.1 percent at this year.

This shows that remittance is contributing largely in our economy. Because of the contribution of remittance in Nepalese economy it can be said that remittance is the backbone of country.

5.2 Conclusion

Most of the developing countries are facing the problem of poverty, unemployment and uncertain future in their countries and Nepal is also not free from that. Many youth are going abroad in search job and the trend is increasing day by day. Remittance not only increasing the employment opportunities but also increases the overall macroeconomic indicators of the economy.

Present study tried to explore the various dimension of remittance in Nepal. Empirical result shows the growth of workers seeking employment abroad and, thus, workers' remittance inflows to Nepal have been quite significant in recent years. Its ratio to GDP is nearly 32.1 percent and so Nepal is ranked in top ten remittance countries. On the other remittance contributed positively on human capital by increasing the expenditure on the health and education. However the use of remittance is not satisfactory as most of the part of remittance is spend on the regular household consumption expenditure. Similarly, the channelization of remittance into productive sector is about 35.87 percent including investment on human capital, investment on non human capital and saving in the study area.

In conclusion it can be said that remittance is backbone of the most of the developing countries including Nepal. It has impact on micro level by improving the financial and social status of households and also impact on macro level by providing overall employment opportunity, reserve of foreign currency, fond for investment and so on. But, remittance is not the ultimate solution of all economic problems. Remittance and foreign employment sometimes many problems in micro level like family conflict and also in macro level by increasing the dependency. So, the current development path on growing dependency with remittances economy may not be beneficial for long term development of Nepal.

5.3. Recommendations

Based on the finding of this study some recommendations are as follows:

-) One of the major cause behind not proper utilization of remittance is the insufficient capital. That means the remittance send back by migrants is no sufficient to start up business. So, government should support migrants by making policy to provide supplementary fund so that they can easily start the business.
-) Another cause of remittance being not utilized is lack of idea about start up business, so government should provide the training and ideas about business operation to the migrants family.
-) The most of the migrants are unskilled and so they are paid low salary in foreign countries in comparison to others. So, government should provide various trainings and technical skill before going to foreign employment.
-) Most of the migrants seems to went to the Gulf counters where the wage for Nepalese worker is very small in amount, government should contract with new countries where the wage rate is relatively higher.
-) Government should project/plan for mega project such as Hydro power project, Roads and Highway, Railway etc by collecting remittance through selling share or bond. It may be much effective and supportive for nation building when foreign.
-) The main method of transferring remittance is seems informal channel so there is the need to established MTO (Money Transfer Organization) like IME in the rural area also.

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APPENDIX – I

Questionnaire for Household Survey

REMITTANCE AND ITS PRODUCTIVE USE IN ANGKHOP VDC OF TAPLEJUNG DISTRICT

1. Background questions						
Address:- VDC:			Ward No.		Tole	
Name of Respondent:			Age		Gender	
Caste/Ethnic			Education		Marital Status	
Occupation						
2. Household Information						
2.1. How many members are in your family?						
Record value						
2.2. How many earning members are in your family?						
Record value						
2.3. What type of family you have?						
Nuclear () Joint ()						
2.4. Household member List and occupation (Including you)						
(Code - Occupation: Agriculture=1, Business =2, Public Service =3, Private Service =4 Foreign Employment =5, Wage labor =6, Student =7, looking for work =8, other =9)						
S.N.	HH member	Age	Education	Marital Status	Occupation	Remarks (migrant or not)
1						
2						
3						

4						
5						
6						
7						

3. Which of these categories your household income usually falls into (excluding remittance)?

- a) Up to Rs. 5,000 a month
- b) Between Rs. 5,000 to 10,000 a month
- c) Between Rs 10,000 to Rs 15,000 a month
- d) Between Rs 15,000 to 20,000 a month
- e) Rs 20,000 and more a month

4. What is the size of land holding by your family?

.....

5. Who is responsible for day to day decision about money in your household (household head)?

Male () Female ()

5.1. Has any members have gone for foreign employment?

Yes () No ()

5.2 If yes, how many members have gone for foreign employment?

Record value.....

5.3. In which country they/he/she go/es for foreign employment?.....

5.4. Did they have any technical skill before going for foreign employment?

Yes () No ()

5.5. If yes, what and which field?

What, Which field

5.6 In which field they work in foreign country?

5.7. Why did they go for foreign employment?

Push Factors	Pull Factors
1. Conflict	1. Employment
1. Family loan burden	2. Better living Standards
2. Education	3. Friend
3. Unemployment	4. Attractive salary
4. Others	5. Others

5.8. How much did they spend to go for foreign employment (Including Visa fee and preparation cost each) Record value (NRs.)

5.9. Monthly salary, remittance inflow, saving and channel of remitting money

Monthly salary in NRs.	Remittance inflow per year	Channel of remitting money

5.10. What was the source from which they collected money to go for foreign employment?

Topic	Amount	Common interest
1) From own income 2) Bank 3) Cooperatives 4) Merchant/money Lenders 5) Friend/relatives 6) Other		

5.11. Area of Use of Remittance per year/amount

Area/per Year	Amount	Remarks
Regular house hold expenditure on food		
Regular house hold expenditure on non-food item		
Loan and interest payment		
Cultural expenses		
Durables		
Real estate		
Education		

Health		
Agriculture investment		
Business Investment		
Buying financial product		
Saving		
5.12. What do you think, the remittance you spend is in productive sector?		
Yes () No () Don't Know ()		
5.13 If no, what is the reason behind that?		
Lack of business environment		
Conflict		
Lack of market		
Lack of sufficient capital		
No idea about business/ Investment at all		
Others		

Signature of Respondent

Thanks for your time, consideration and hospitality