

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of the Study

Nepal, recognized by most of us as “Naturally God gifted country” so it is rich for nature although it also recognized by most of us as “One of the poorest country” has so many reasons to be called so. Its per capita income is among the lowest in the world, it has poor industrial base. Agricultural production is lagging behind population growth, with 2.24 percent growth rate of population (CBS, 2001). Because of this reasons, young generation are attracted towards the foreign employment, which has benefited them by raising their living standard and priesting.

Nepalese economy has been suffering from the low level of equilibrium trap surrounded by poverty. The economy is still facing the problem of political instability and country is in underway for economic development. Therefore in the recent year, thousands of Nepalese people are migrating abroad and remittance is becoming strong pillar for their livelihood.

Historical migration of human population begins with the movement of *Homo erectus* out of Africa across Eurasia about a million years ago. *Homo sapiens* appear to have occupied all of Africa about 150,000 years ago, and had spread across Australia. Asia and Europe by 40,000 years BPE. Migration of the America took place 10,000 to 15,000 years ago and by 2,000 years ago most of the pacific Islands were colonized later population movement notably include the Neolithic Revolution. Indo European expansion and the early medieval Great migration including Turkic expansion (Trital, 2008).

With the flow of time and innovations in easy air travel, communication and improve productivity, migration was not necessarily a 'permanent relocation.' By working in a factory thousands of miles away, now a "migrant worker" can send money back to his family in the remote hills of the country and also return for a reunion during holidays. Foreign migration and employment become major sources of national income for many developing countries (Pandey, 2005)

In the Nepalese context working abroad started from 19<sup>th</sup> century. It has been nearly 200 years Nepalese began seeking work outside the country. Nepalese better Gorkhali were good Lahures and the then King of Nepal received royalties of their services. Hundreds of thousands Nepalese are spread over the world, to serve their master and that very remittance is the sources of incoming money. This tradition has continued to the present day in the British and then after 1947, in the India army as well. Till 1971, the earning of British Gurkhas were the highest sources of foreign currency for Nepal (Dhital, 2007).

Nowadays Nepalese are going abroad not only the armed force but are also spread all over the world for employment (work). Although Nepalese has opened 108 countries for Nepalese workers there is an estimated half a million to 7000,000 mostly unskilled and semi-skilled Nepalese working in the Arabian Gulf. Although they have now started going in the large number of other regions as well, the Gulf region has more Nepalese workers than anywhere else in the world. Among the number of Nepalese workers in foreign countries 24 percent are in India, 16.3 percent in Saudi Arabia, 6.88 percent in Qatar, South Korea and U.K. 5.6 percent in UAE and 1.5 percent in Japan, Malaysia, Germany and United States (ebid).

Remittance inflow which had amounted to RS 1.14 billion during 2006/07 rose by 28.42 billion during the last period of FY 2007/08 over the similar period in the previous period. The balance of payment witnessed a surplus of Rs 13.27 billion in the FY 2007/08 with comparison to the surplus RS. 5.90 billion during FY 2006/07 consequently total foreign exchange reserve increased by 20.2 percent from 165.13 billion in mid July 2007 to RS. 181.98 billion in mid-march 2008. At the prevailing import trend. This reserve level would be sufficient to finance merchandise imports for 11.3 months and services imports for 9 months (MOF 2009).

Remittance has become the second largest capital flow behind foreign direct investment (FDI) and a head of overseas development assistance (ODA) to developing countries. Hence, now a day around 23 percent of the total amount contribution on GDP by the remittance. It has not only helped lessen the impact of growing unemployment problem. Also continues to inject much needed cash into the economy. It has also been propping up foreign exchange reserve, helping the country,

avoid the major balance of payment crisis. The central bank has said that all most two third of the budget is coming in as remittance every year.

In Nepal, remittance has emerged as one of the premier source of foreign exchange, and has becoming important source to support for family members remaining at home. It has been already demonstrated that remittances sent by the migrants' workers is an effective tool for poverty reduction. Though foreign employment is boon to the economy, the facilities are inadequate to back up the increasing trend of migration on jobs abroad, lack of assurance of safe working environment and right of the migrant workers are the other constraints for boosting foreign employment and remittance.

Thus the Scenario clarifies that remittance are the potential sources of fund for increasing household income and the largest sources of external finance developing world like Nepal.

## **1.2 Statement of the Problem**

Rapidly increasing population, very slow industrialization process and frequent Bandha and Strikes due to political instability have been narrowing down employment opportunities in Nepal. Unemployment is one of the most challenging problems of our country. So the numbers of Nepalese people were wanted to go abroad. Because of this there is a big jump in remittance income in the country which has helped to boost the country's overall balance of payment (BOP). In this sense it is said that Nepalese economy is based on the remittance Business. It is the second source, after the agriculture, which pays the vital role in GDP. Remittance can contribute for the economic development if it is mostly mobilized in productive fields.

Most of the remittance income is being used in unproductive sector like real estate, luxurious consumption items etc. This has reduced the productive base of the country and therefore the economy of the country will be very vulnerable towards external shocks and become depended towards external factor in future.

Similarly the government policies regarding foreign employment may contain lots of lacunas to manage the remittance money. The government programs and policies need to be revised to address the various problem related to the foreign employment and

uses of remittance income in the present context of global scenario. Now the national planning commission (NPC) has also given priority for improvement in foreign employment and proper use of the remittance.

The study area as well as most of the part of Ilam district is losing their youth day by day, in last year till 2066 Ashad first, 223989 youth were migrants (DOFE, 2067) as the name of abroad migration for short time as well as long time, Which bring the serious problem in the rural area to utilization the local resources and implementation on development plans and policies. Nowadays huge amount of remittance send from abroad by the migrant people. So this research will be tries to analysis the inflow of remittance in the Nepalese economy and going abroad is effective or not in the sense of economic condition of the people of study area. The specific issues associated with the remittance and its proper economic are use in this regard thus this present study address to the following question related to the remittance:-

- (i) What is the situation of remittance inflow in Nepalese economy?
- (ii) How the remittance income is used by household in the study area?
- (iii) How the remittance affects the economic status of households?

### **1.3 Objectives of the Study**

The main objective of this study is to asses to utilization and impact of remittance in the study area. The specific objectives as follows:

1. To analyze the inflow of remittance.
2. To examine the utilization pattern of Remittance in the study area.
3. To compare the economic status of migrant household before and after receipt of remittance.

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

At present, Remittance has become an integral part of urban and rural household for livelihood, strategies in many parts of our country. So the remittance money is a crucial part and reliable sources of livelihood in much rural part of the country and for children education, nutrition and to fulfill other requirements. It permits household to

increase their consumption of more goods and services. At a community level remittance create multiplier effect in the domestic economy, producing employment opportunities and spurring new economic infrastructure and services especially in remote rural areas where state resources have not been effective.

As remittance income is one of the major sources of foreign exchange earnings. The significance of the study is theoretical as well as applied. This study differs from the previous study in number of aspects:

- i. It inclusively studies the impact of remittance in different group of people especially in Amchok VDC, related to their economic condition.
- ii. Inflow of Remittance and it utilization pattern.
- iii. This study tries to analyze household condition and the condition of economic activities as whole before and after received remittance.

This study will be helpful to know about the inflow of remittance in the Nepalese economy and its utilization and impact in the study area, such as researchers, students, governments and planners and for those who want to know about it as well as who want to undertake further study in this theme.

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

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

- (i) Study area covers only Amchok VDC of Ilam District.
- (ii) This study mainly focused on the remittance received by the people of Amchok VDC.
- (iii) Most of the analysis is based on primary data so any distortion of the reality from this study may be due to biasness of the respondents.
- (iv) This study only concern in overseas for foreign employment but not concern in India.

## **1.6. Research Methodology**

### **1.6.1 Selection of the Study Area**

This study focus on Amchok VDC in Ilam District. Ilam is a very eastern, well known as comparatively developed district all among the Himalayan districts of Nepal. The selected VDC is one of the VDC among the 38 and one municipality of Ilam district, which is 12 mile far and lies on western part from Ilam headquarter. It's geographical area of 22.26 square kilometers having 7401 to 2272 meters height from sea level (Ilam at a Glance, 2010). Which is situated from 26 57' 08 second to 27 00' 30 second northern latitude to 87 42' 11 second to 87 45' 50 second eastern longitude. It covered 9 wards and 969 household with the total population 5592 according to VDC profile 2008. The main occupation of this area's people is agriculture and livestock. So in there most of the youth are unemployed and went to abroad especially with the aim of earn money. So the study have been tried to analyzed weather the remittance is proper utilization or not and examine the economic impact of remittance is this area.

### **1.6.2 Nature and Sources of Data**

This study is based on primary as well as secondary data in order to meet stated objective of the study.

### **1.6.3 Primary Data**

Primary data have been collected by using the major procedure of data collection namely question arise and interviews the interviews with the abroad migrant household cross checked editing and indirect questionnaire also well be put sometime for the answer to be make more realistic at the time of household survey.

### **1.6.4 Secondary Data**

Beside the primary data, secondary data also needed to fulfill the research objective. So the sources of available data like from official and unofficial sources, national planning commission secretariat, Central Bureau of Statistics (CBS), budget speech of government, economic survey, and annual publication of Nepal Rasta Bank (NRB). Other different journals, websites, book, report, magazines and information for donor agencies like WB, ADB, IMF, and UNDP etc.

### 1.6.5 Research Design

The micro-level study remittance confined within the selected Amchok VDC of Ilam district. All 9 wards are taken in to consideration. This is the analytical as well as descriptive type of research design. The information and type of data collected for the study in cross-sectional.

### 1.6.6 Sample Section Procedure

It has been not possible to take details survey of whole migrant household due to the limitation of time and other sources. So the samples of all 9 wards of the VDC are considered. In where 969 total households and the total population are 5592 according to survey of VDC 2008 (VDC Profile, 2008). Among them, from 280 HHs members were migrants for foreign employment. But in this study have been taken only 20 Percent household among the migrant household from each ward of the study area using probability proportion to size technique with using the systematic sampling method. The respondent of sample from each ward is as follows in the given table.

**Table 1.1**  
**Sample Selection Procedure**

Ward no.	1	2	3	4	5	6	7	8	9	Total
Total No. of HHs	101	73	80	127	138	97	95	132	126	969
No. of total population	622	453	416	750	832	536	606	689	688	5592
No. of HHs for foreign Employment	25	25	16	35	30	25	40	38	46	280
Sampled HHs	6	6	6	6	8	6	6	6	8	60

### 1.6.7 Data Collection Method

The direct personal interview with remittance receives or sender's family members have been taken for the study by the field survey. The structure and semi-structural questionnaires have been included for such respondents to collect the information. The questionnaires are based on economic status, utilization of remittance receiver family. Some information has been taken from the topic related organization are on the basis of studies objectives.

### 1.6.8 Data Processing

After the competing field work all the information filled up questionnaire them which presented in the master sheet, that identified the respondents number and the variable

related. Some variable have been described after editing and cross checking. For this, it has been taken scientific calculator and computer.

### **1.6.9 Tools for Data Analysis**

Simple quantitative tools have been used analyzes the collected information and data to fulfill the requirement of the study. And also following steps have been used to analysis the data:

- Collected data have been processed by tabulating data by preparing table.
- Cartographic techniques have been used to describe the table in this study.
- Some statistical tools like percentage, average ratio can be used to analyze data.

### **1.6.10 Organization of the study**

This study has been organized as fallows;

The first chapter "introduction" deals with, Statement of the problem, Objective, Significance, Limitation and Methodology of the Study. Theory of migration and about Remittance has been reviewed in the second chapter, which is presented under this chapter "Review of Literature". The third chapter "Inflow of Remittance in Nepal". Fourth chapter "Overview of Foreign Employment and Utilization of Remittance in Amchok VDC", In the Fifth Chapter "Comparison of Economics Status of Households Before and After Remittance Received" both chapters known as data analysis of the study. And the Final chapter "Major Findings Conclusions and Recommendations."



## CHAPTER II

### REVIEW OF LITERATURE

The present research aims to analyze the inflow of remittance and its utilization as well as its impact on the economy which is entering the country. For this purpose, a review of related literatures in this concerned area is a must, which will help to get clear ideas, opinions and other concepts. This chapter emphasizes about the literatures which were concerned in these connections. Therefore, in this chapter the conceptual framework given by different authors and intellectuals of this area, books, journals, research work and previous theses related to labour migration and inward remittances are reviewed. Moreover, labour migration issues and the inflow of inward remittances are reviewed and an attempt has been made to present them properly.

#### 2.1 Theoretical Review

Historically, Nepalese people established their business and work with neighboring countries like Tibet, China and India. In the Lichhavi period, Nepalese arts and popularity were promoted by Bhirkuti in China and many artists and designers worked there. Artist Areniko was invited by Kublie Khan for constructing temples and stupas in China. Their histories show that at that time Nepalese were working in neighboring countries and sending the earned amount to their motherland. At that period, Nepal was rich in culture, arts, heritages and also economically in the Malla regime too. Nepalese carried on the job continuously, focusing trade between the neighboring countries.

Todaro, in his study on international migration in developing countries, clarifies that migration is stimulated primarily by rational economic considerations of relative benefits, which are mostly financial. Decision to migrate is influenced by the difference between expected income between two places. He adds that the probability of getting a job in a new area is inversely related to the unemployment rate in that new area. (Todaro, 1996)

Lewis, in *Economic Growth with Unlimited Supplies of Labor*, distinguishes between the subsistence sector and the developed sector within the economy. In other words, the first is an agro-based, undeveloped sector or rural area, and the second is an industrial, developed, urban territory. The prime reason for migration is due to wage differences. Unlimited supply of labor force prevailing at a low wage rate is attracted to the industrial sector until the subsistence sector provides an equal wage rate like that of the urban sector, i.e. migration

exists whenever wage differential exist and eliminates of such differential causes to end labor mobility. (Lewis 1984)

Revenstein, (1985) was the first person to attempt migration theory. His law of migration is also known as push pull factor of migration push factor are land tenure system, unfavorable form of trade wide dispersion of poverty in income and so on, pull factors are employment education and other facilities and opportunities are known as bright of the town on one hand push factor migrant from their place of origin and on the other hand pull factors migrant to place of destination.

As stated in the BOP manual (9<sup>th</sup> edition) states workers remittance cover current transfer by migrants who are employed in new economics and considered residents there. A migrant is a person who comes to on economy and stays or in expected to stay for a year or more. Workers remittance often involved related persons. Persons who work for and stay in new economies for less than a year are considered nonresidents; their transactions are appropriate mainly to the component for compensation of employs. (IMF, 1993)

Addison, in his research paper says that remittances have for several generations been an important means of support for family members remaining at home. As migration continue to increase the corresponding growth of remittance has come to constitute a critical flow of foreign currency into many developing countries and Africa is particular policy makers in developing countries have started to streamline financial system removing controls creating incentives, with the aim of attracting remittance specially through official channels generally, remittance can create a positive impact on the economy through various channels. The general understanding among various economic thinkers is that remittances can impact on the economy through saving investment, growth consumption poverty and income distribution. The importance of remittance flows becomes critical in economics with credit market imperfections as in the case in most developing countries. (Addision, 2004)

Panta, (2006) make a study on his article 'Remittance inflows to Nepal Economic impact and policy options' defines that remittance refers to that person of migrant's earnings sent from the migration destination to the place of origin the term remittance are normally limited to denoted monetary and other kinds transfers transmitted by migrants workers to their families and communities. Remittance falls under the Bop.

Standard measures based on three items in report as incorporated in the IMF balance of payment statistical year book. There are the form of: (1) workers remittances (Money sent by workers living abroad for greater than one year):(2) Compensation of employees (gross earning of foreigners living abroad for less than one year; and (3) migrant transfer (net worth of migrants moving from one country to another).

Remittance was one of the major sources of the income of the country, can be further increased if new potential destinations of foreign employment like Korea apart from the traditional employment destination such as the Arab countries could be explored and utilized. (MOF, 2007)

Sigdel, (2006) Conducted a study entitled “An overview of Remittance economy of Nepal” with the aim to evaluating the significance of inward remittance in the overall economy developed of the economy of the country. Employment in abroad has not only helped Nepal ever-growing unemployment problem but it has also injected much needed foreign currency in to our economy to fill up foreign exchange and investment gap, thereby helping Nepal avoid a major BOP crisis.

Remittance now a day is considered as one of the six pillars of economy other being investment, trade, agriculture, water and tourism. At the household level, it helps to smooth the consumption and investment in human and physical capital. Remittance also generates benefits to the community, if they are spent on locally produced goods and services, and helps poverty reduction since money is utilized for rural development. In Nepal’s case the penetration of the remittances into remote villages has helped in poverty reduction. The IMF country report states that in the absence of remittance, the percent level of poverty would be 36 to 37 percent (IMF 2006 as quoted in Shrestha, 2008)

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

Stark and Bloom; in American Economic Review, studied international migration in the case of Mexico to the USA and found empirical evidences that the initial relative deprivation of household in their village reference group plays a significant role in migration controlling for initial absolute income and the expected income gains from migration they showed that the prosperity of household to participate in international migration is directly related to the household initial relatives deprivation. (Stark & Bloom, 1985)

Macroeconomic studies demonstrate that though remittances are affected by the economic cycles of source and host countries, they often provide a significant source of foreign currency, raise national income, finance imports and contribute to the balance of payment, which other capital flows tend to increase during favorable economic cycles and decline in period of economic downturn remittances seem to react less violently and reveal incredible stability over time. For instance, remittances to developing countries continued to go up steadily in 1998-2001 when private capital flows declined in the wake of the Asian financial crisis. Even the more stable components of capital flows FDI and official flows-declined in 2000-2001, while remittances continued to rise. (Sasikumar, 1998)

The remittance flows as an important source of funds for many developing countries workers remittances have been growing rapidly in the past few years and now represent the largest sources of foreign income for many developing countries. It is hard to estimate the exact size of remittance flows because many transfers take place through unofficial channels and therefore are not captured by authorities worldwide, officially recorded international migrant remittance had projected to exceed 232 billion in 2005, with & 167 billion flowing to developing countries. After 1997 the flow of recorded remittance grew much faster than foreign direct investment (FDI). Unrecorded flows through informal channels are believed to be at least 50 percent larger than recorded flows not only are remittances large but they are also more evenly distributed among developing countries than capital flows, including foreign direct investment most of which goes to a few big emerging market. In fact, remittances are especially important for low income countries. This study suggests that remittance may rise per capital income and reduce poverty in some countries. For instance a 10 percent increase in the share of remittances to GDP in a given country would lead to a 1.6 percent decline in the share of people living in poverty. Remittance may have reduced the share of people in the population by 11 percent in Uganda, 6 percent in Bangladesh and 5 percent Ghana. In China more than 150 million people are internal migrants, the second most important factor for lifting a household out of poverty (Coss, 2006)

Remittance constitute workers remittance, compensation of employees and migrant transfer, migrant remittances are defined broadly as the monetary transfer that a migrant makes to the country of origin. International migrant remittances are the

second largest source of external finance in developing economies, next to foreign direct investment international migrant remittances received by developing countries are estimated to be approximately us & 167 billion in 2005 and have doubled in last five years (World Bank, 2008)

In the IMF working paper Gupta says that remittance from abroad has become a very important component to the balance of payment for developing countries in recent years. For some countries they have exceeded various types of capital flows. Global development finance shows that remittance to developing countries are higher than official aid flows and are, also higher than most other types of private capital flows. Remittances have increased rapidly for India too in the past decade making it one of the largest recipients of remittance in the world. She finds that, commensurate with the increase in the number of migrant from India and the migration of higher skilled workers over time, private transfer to India on current account have been very robust in the past decade. In this paper she also finds that, the private transfers have been stable sources of funds and have not been affected by the risk return consideration to the some extent that flows on capital account have been such as portfolio investment. Thus they have proven to be a source of strength in the balance of payment in India. From the econometric models she analyzed not many macroeconomic factors are important in explaining the behavior of remittance around the trend over time. Among the variables that are found to be significantly associated with the movements in remittance include indicator of economic activity in the source countries Remittance are higher when economic conditions abroad are benign and remittance are also found to be some, what countercyclical, that in higher during the periods of negative agriculture growth (Gupta, 2005)

S. Rajan (2009) assessed about the entitled of “Migration and Remittance” in India (Kerala) experience with using random sampling method with probability proportional to the no of households which sample drawn from 300 Panchyats (location) using mention of sample method in fifty households. He found that average age of emigrants twenty eight average ages at return forty four, life in Gulf sixteen, unemployment rate before emigration twenty three and unemployment rate after return twenty nine.

His studied shows that most of the Kerelian people migrant in Gulf countries to search the appropriate employment opportunity and they earned money (remittance) and sent

back to their origin place (home) its impact specially 1-28 times more than the government revenue. Recipient four times more than the transfer from the central government 1.5 more than the government expenditure and fifteen to eighteen times more than the receipts from cashew marine products. His study finding that remittance particularly impact on poverty, unemployment standard of living, ownership of houses, quality of house consumer durables and income redistribution or social mobility on the other hand impact of migration on women older people, children due to loneliness. (Available in [www.ips.lk](http://www.ips.lk))

Amjad, (2009) In the case of study of Pakistan studied using time series data set includes. 34 observations over the period of 1975 to 2008. Data collected from various sources like as Remittance series (total and by region) GDP per capita from various issues of economic survey, Amjad and Kemal, economic surveys missing data for poverty has been interpolated and extrapolated and intercept Dummies have been used to capture the impact of variation in remittance. Over the three decades 1980's 1990's and 2000.

This study shows that impact of remittance on poverty inversely and negatively related and studied find that some female headed households are in worst position due to they received only 38% of remittance, the decline in the remittance inflows a major contribution factor is explaining the size in poverty in Pakistan during 1980's. He provide some observable recommendations for developed well data set and keep well documentation of overseas migration and remittances and encourage migrants to send their remittance through legal channels ([www.ips.lk](http://www.ips.lk))

Salim, (2009), In the case of 'Bangladesh' with using time series econometric analysis linking remittance and economic growth in Bangladesh over period 1981-2006. Likewise using CGE (computable general Equilibrium) to analyses with objectives to explaining the impact of remittance growth on poverty reduction during 2000 and 2005. And a cross section economic analysis explaining the link between remittances and poverty for the household using the latest household survey data (HIES 2005).

Empirical results a time series regression for Bangladesh (1981-2006)

Explanatory Variable	Coefficient standard error	t-value	p >   t
Constant	-0.036(0.024)	-1.44	0.164
Remittance	0.151 (0.021)	6.44	0.000
Investment	0.412 (0.233)	7.542	0.000
No of observation = 26			

From the above result it is evident that 10 percent growth in remittance GDP ratio will lead to a 1.5 percent growth in per capita GDP. Poverty impacts of Remittance growth in Bangladesh. A CGE Analysis shows that the headcount poverty declined from 49 percent in 2000 to 40 percent in 2005 envisaging a 9 percentage point reduction in poverty over the five year period. The analyzed growth was one of the key factors in reducing poverty. The average economic growth was around 5.5 percent and population growth was 1.2 percent The analyzed growth of per capita income was 4.2 percent during the same fine, remittance recorded a phenomenal growth inflow of remittance increased from million USD 1949 in 2000 to million USD 3848 in 2005 implying a 97 percent growth over the period, and the analyzed remittance growth was around 20 percent. And in the HIES 2005 data set observing around 1800 HHS only 905 HHS receive international remittance while rest are 50 not receive any international remittances. At the first step they separated all households there are receiving international remittances. In the second step they have indentified those HHS who do not receive remittance but they found similar probability of receiving remittance but, they found similar probability of receiving remittance after controlling for differ household characteristics. And finally this study found that remittance is on important factor is poverty education remittance helped maintain macroeconomic stability and government should take following action.

- Bilateral negotiations.
- Need to accommodate the returning migrants the domestic economy.
- Provide extra incentives to the remittances (<http://www.ips.lk>)

Sonam Tobgay, (2009), Studies in Bhutan about the economic impact of remittances particularly in households income, assets, foreign exchange (BOP) social security and discriminations. The comprehensive analytical study was based on the survey of RUM, PPD & MOA 2005 and found that some key issues are high transaction cost for visa and documentation remittance transfer cost changed by banks, lack of legal from

work on assess of poor people in migration. This study suggested some viable recommendation are to promote the competition in remittance industry, protect of migrant working and other related enabling policy environment need to adopt it (<http://www.ips.lk>)

Nisal, Priyanka & Dushan, (2009) presented a paper about Sri Lanka economy in international conference to examine the impact of migrants and remittance on economy using the survey of central bank's time series data of 2003-04 (secondary data). The study examined macro level (economic stability national study and labor market) and micro level (Households expenditure, HHS income & people welfare). They found that macro-economic impact of remittance flows to strength economy through steady sources of fond FDI portfolio and remove external shocks (i.e. natural disaster, financial crisis and political conflict etc.) and micro impacts of remittance on HHS income & expenditure with reducing poverty and improving health, education & standard of living.

The study conclude and policy implicated that majority of lack skilled migrants but overtime skill migrant have skilled, remittance have provide significant BOP support, FDI improve national saving & policy implementation on domestic reform with skill develop of migrants and well documented system (<http://www.ips.lk>)

Deshal Demel and Suwendrani, (2009) studied in Maldives propose of assess the impact of remittance in poverty and consumption using time series data in period (1997-2005). They found that significant role of remittance to remove poverty (i.e. 10% increases in remittance leads to 3.5% decline in poverty) and internal migration another important aspect of remove inequality.

The study suggested some policy implication to keep well documentation of migrant people encourage to send money through legal channel and build strong policy frame work needed for management of foreign employment etc. (<http://www.ips.lk>)

Tilani & Roshni, (2009) analytical studied in impact of migrant in Afghanistan using cross sectional data from National Risk and Voluntability Survey (SNRVA) 2005 and 2005, the survey (NRVA 2003) conducted with covered 11,227 household out of the total households 2332 number of household had at least one number who migrated during the last year. Similarly survey of (NRVA, 2005) conducted with main



objective to gather information update and guide policy makers in their development decision about the migrants & remittances.

The study found that remittances are the most tangible result of migration and direct link to development Remittance has direct positive impact on poverty alleviation, access to education and health facilities ([www.ips.lk](http://www.ips.lk))

### **2.3 Review of National Empirical Study:**

Kanskar (1982), He found the origin of Nepalese emigration to be after the Anglo-Nepali war is 1815 and was totally for recruitment purpose in the Indian army. The Indian authority was not only open to them but also managed for their permanent settlement. However, then Nepalese government had discouraged it. The first time relaxed this policy and encouraged the people to join the British recruitment. So, 200000 Nepalese males joined the British regiment even during First World War. The Anglo-Nepal convention held on 15<sup>th</sup> May 1815, created alternative labor market to the Nepalese in India. The emigration to India accelerated because of opportunities growth and miserable day to day life of Nepalese hill area.

The findings of a case study of Sandikharka VDC of Arghakhanchi District reflected that rich families and households in the villages were able to obtain access to better paying and more secure employment abroad (Ghimire, 1996). Thus migrants workers have had the opportunity to send back considerable amount of remittance to their families. A majority of the workers are still deprived of this opportunity because of high entry cost and specific access requirements. The study should that 93.0 percent migrant workers were employed in India and 7.0 percent in other foreign countries during the study period.

A study undertaken by Nepal Rastra Bank (NRB) generated some information of different issues relating to foreign employment and remittance economy of Nepal (NRB 2001). The study has covered the ten districts of four development regions through a sample survey. It furnished information on the migrants from the social, economic gender and regional perspectives. According to this study, more than 70.0 percent were laborers and they earned on average from Rs. 10,000 to Rs. 25000 per months. They report revealed that only about 20 percent of the migrant workers sent their earning through the banking channel. The study revealed that the additional household income from the remittance is used exclusively for the consumption and very

little was invested for the productive purposes. The study of NRB further should that those migrant workers who returned from their job only about 16.0 percent have been able to use their money for income generating activities.

Kshetry in his article 'Remittance: costs and Benefits' says that comprehensive study on the use of remittance is lacking however, the press reporting and cursory overview of the activities of families receiving remittances expose a very dismal picture. In lack of efficient institutional mechanism to transmit the workers income to Nepal various individuals with wrong intention have deceived the workers and exploited their "earnings. At the initial phase of their work the workers are believed to pay the loan they used to go overseas in terms of fees to the agencies and the amount borrowed. It is said that the declining wage rate overtime in gulf the workers need a complete year to free themselves from debt demonstration effects are visible quite clearly in communities among families having foreign employment luxurious items of electronics, outgoing behavior in day eating and drinking habits are common features. If anything tangible is achieved out of Remittance, it is the education of children at so called boarding schools either at the capital city or the headquarters of the district where the mothers tend to look after the school going kids. In terms of asset formation large number of remittance receivers uses their funds to purchase land or building or construct them. In some parts, means of transportation are purchased as part of investments very rarely such funds are found to have utilized to promote agriculture and tourism. In short, empirically it could be assented that meaningful or productive use of remittance income is yet to be sought through it forms a significant part of the GDP. (Kshetry, 2004)

Panta, (2006), Make a study on his article Remittance inflows to Nepal economic impact and policy options, using the analytical method with aim to shows the inflows and impact of remittance in Nepal. For this he has been taken the data from World Bank 2005, his study shows that remittance has been playing a pivotal role in Nepalese economics development by relaxing the foreign exchange constraints and strengthen the balance of payment, among other. Further he denoted that in Nepal during the last few years, remittance have been an important avenue of support for family members remaining at home. As the number of working going abroad for employment continues to rise, the corresponding growth of remittance has become a critical flow of foreign currency in to Nepal. This has been partly the result of measures

undertaken by the concerned, officials to streamline financial system, dismantling controls and creating incentives with the aim of attracting remittance particularly through the official channels.

Finally his study finding that economic growth, interest rate and exchange rate policies are crucial determinants of remittance inflows. In his study there is some variable suggestion in order to further encourage the inflow of remittance to the country through official channels, and to promote the tendency to exchange their remittance of foreign exchange in to local currency. It is imperative that their policies be conducive to the inflow of remittance.

Dhital, (2007), tried to assess remittance current position and its role in the economy on this area to dig out the ground realities using the primary as well as secondary data in his study. Finally her study concluded that remittance generate a positive multiples effects in output if they are consumed and contribute to economic growth if they are invested productively.

The Nepal labour Force Survey (NLFS) carried out by the central Bureau of statistics (CBS) from January to December 2008, aim to analyze the data of different sector. For this purpose using the stage stratified sampling and as a whole country divided in to six strata was distributed equally in rural and urban. At the first stage 800 wards were taken by the primary sampling units (PSU) in the second stage among their words 1600 hundred were taken by using secondary sampling units (SSU) has shown the proportion of household receiving a remittance (from either an absentee or from another person) was 30 percent of all enumerated household. The average amount received over all households in the last 12 months was RS 19721. Further the survey shows that most remittance income were received from outside of Nepal (including India, Malaysia, Saudi Arabia, Quarter etc.) with 82.9 percent of all remittance income (absentees and other combined) coming from outside. The share of remittance received from abroad in the highest from Quarter (21.3%) and 19.2 percent, 14.9 percent, 13.4 percent, 2.2 percent 2.2 percent 29 percent respectively from Malaysia, Saudi Arabia, India, United Kingdom and Other countries. The survey collected data on the District from which the remittance was sent but this is insufficient to distinguish remittance from urban and from rural areas. (CBS, 2008)

Remittance inflow which had amounted to RS 1.14 billion during 2006/07 rose by 28.42 billion during the last period of F/y 2007/08 over the similar period in the previous period. The balance of payment witnessed a surplus of RS 1327 billion in the f/y 2007/08 with comparison to the surplus RS 6.90 billion during f/y 2006/07 consequently total foreign exchange reserve increased by 20.2 percent from 165.13 billion in mid. July 2007 to RS 181.98 billion in mid-march 2008 at the prevailing import trend. This reserve level would be sufficient to finance master landies imports for 11.3 months and services imports for 9 months (MOF, 2009)

Shrestha (Malla), (2009) Make a study on ‘Foreign Employment and Remittance in Nepal’ with the objectivesto reviews the using the analytical approach, taken the data dating back to 1990 to 2006/07, especially she tries to shows the contribution of remittance to GDP ratioherstudy shows that the remittance to GDP ratio was only 0.5 in 1990 /91. Recently the remittance to GDP ratio increased from 10-34 in 2001/02 to 15.12 accounted highest is 2005/06. But the share of remittance to GDP was decreased to 14.83 as compared to previous year. It indicates that contribution of remittance in Nepal is immense justifying the fact that Nepal’s economy is ‘remittance economy’

Further her study shows that the contribution of Remittance of the different sector of economy becomes much more important. Finally she suggest in her research paper, considering the present scenario, GON and the concerned authorities most visualize and address the issue of foreign employment and remittance in Nepal from the changed perspective.

Dahal, (2010), make a study on ‘Youth and Remittance: key economic Resources of Nepal’ with the objectives to highlight importance of youth and Remittance in Nepalese economy and suggest some measures to mainstream youth and remittance for this purpose. He study shows about 2 million youth work abroad and send foreign currency as remittance, which is being used as a sources of consumption by the government and banking system, about 15% in being used in buying land and investing agriculture and industries, He denote two important resources youth and remittance are interrelated. He says the remittance is cash money created by youth that contributes 21.8 percent to nation’s GDP. It was 10.7 percent in 2000/01. Total amount of remittance reached 217 billion 2008/09. But the two factors are left to vagaries of market. The comment of this study in the state must 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 that can be utilized for productive economic investments in economy.

Adhikari (2009), on his working paper him analyzed result of NLSS 1995/96 and 2003/04. Similarly using the various surveys conducted in household level with the cross sectional data of Kaski districts in different VDC's through the primary and secondary data followed to idea of NLSS.

This analytical and empirical study's result found that negative impact of labour sending country like as social and family breakdown, labour shortage, production declines and entering the dangerous disease (HIV/AIDS and TB etc.) and positive impact of remittance on poverty reduction and social welfare.

Bhattarai, (2009), Conducted in his study Nepal has opened foreign employment for 107 countries in the world. In 75 countries where Nepalese have been gone for the foreign employment. There have been 1429423 Nepalese employers were gone by labour permit (last Ashad 2066). And there have been 25 million Nepalese processed for foreign employment by the open boarder without any permit, which is nearly 10 percent of whole population. Among them foreign labours 71 percent untrained 27 percent semi trained and 2 percent are trained.

According to the NRB study the cross country analysis shows that when 10 percent individual remittance on official recorded increase then the poverty decreased by 3.5 percent and also international label study shows that more than 35 percent of remittance has been gone in rural area.

K.C. (2010), In his presentation paper about the title of "Foreign labour Employment and Financial Crisis in Nepal: A preliminary Assessment " try to shows that updating the data of labour migration in different fiscal year from FY 1993/94 to 2009/10 in such data shows that the high inconsistency till the FY 2007/08 from the beginning, and after that some improvements in the number of Nepalese foreign workers were recorded by the end of the FY 2009/10. In his analysis also tries to shows an impact of global financial crisis in Nepalese economy from various pointed ways such as Media response, Government response etc. In the national wise effects of crisis in Nepalese economy though reduce aid generated Capital investment by the European Union.the Media response of the financial crisis on Nepalese labour especially in Malaysia

affected many Nepalese workers due to the government decided not to recruit foreign migrant workers in the manufacturing and service sector from January 2009 and double the levy for hiring them in order to increase the salaries of local workers.

Similarly the government of Nepal has recent decided to a welfare policy to return migrants who provided 40 percent of the cost spent for whom lost their job within six months of acquiring them in destination countries.

Finally he denoted that some opportunities from the Nepalese foreign labour employment, such as remittance income could have contributed to reducing the poverty about 20 percent or more, 22 percent increase in school enrollment due to migrants investment on their children's education, increase the consumption of calories , thus reducing malnutrition among the general population and the migrants has been the main source of remittance income in Nepal which also clear from the share of remittance to the GDP is 21 percent in 2008/09.

By economic development and administration center studied that remittance has spent is various sector like 46 percent in house 16 percent in the field of agriculture 8 percent in business 5 percent in house building and only 5 percent is saved and rest of the remittance uses in other sector. Similarly, the fourth family budget survey has been shown that most of the parts of remittance has used in unproductive sector. According to the result of remittance 49 percent remittance spends to purchase and build new house, 25 percent was to pay the debt respectively.

In this way different agencies have been studied about the remittance has spent mostly for buying house and lands, and unproductive fields also. So this study concludes that there is serious threat of remittance in unable to used in productive sector, therefore there has been a big challenge, how to get remittance by invested in financial area. (NRB, 2010)

The case study of Rajkarnikar of Siddhipur VDC, Lalitpur district, with the objectives to analyze and examine the socio-economic consequence of foreign employment on the household level and national level, to fulfill these objectives she use the descriptive and analytical method, With the sample of 104households. This study shows that migration and foreign employment has become a way of life to many educated youth of the country. The number of people migrant for foreign employment in Nepal till mid-march 2009 is recorded as 1432224. She states that the migration has

concentrated in the gulf countries more than 65.14% and maximum being in Malaysia (31.82%) She also use the spss program to show the interrelation, between remittance and national economic growth by use the regression analysis which shows that remittance income appear to be the most relevantvariable to rise the GDP in Nepal. (Rajkarnikar, 2010)

Finally her study concluded that remittance had generated a positive effect on the economy through the various channels such as saving, investment, growth, consumption, poverty and income distribution though it has positive impact its major contribution is visible at the household and community level only. She remarked that it has not created socio-economics impact and longterm development of the country due to lack of strategic planning for the utilization of remittance. She suggests in her study for the purpose policies and plans bared on update information on migration are required. (ebid, 2010)

#### **2.4 Remittance Transfer in Nepal: Overview of Remittance Transfer Method**

Remittance is ‘The money that migrant workers bring or send back home, to their country of origin’. Remittances are transferred to Nepal through the hand carry system the ‘hundi’ system or through commercial banks. In the care of the hand carry system, migrants or their friends take remittances with them when they go home to visit their family. The commercial bank system is self-explanatory. The hundi system is explained in detail below. Nepali migrants (especially from India) send their money back home mainly through informal channels. This is party linked to the undocumented migration, and is a major reason why official figures grossly underestimated the real value of remittances to Nepal (seddon, 2003)

In 2006, formal remittances to Nepal were about NR 12 billion (us \$150 million), whereas informal remittances have been estimated at some NR 72 billion (us \$ 900 million).This implies that only about 17 percent of total remittance comes through

Official channels. (Nepal news, 15:02:07 <http://www.nepalnews.com.np/contents/englishdaily>).

Nepali commercial banks have been criticized in localnewspaper for assisting migrant workers to transfer remittances bank home.

## A. Hundi

“Hundi” or “Hawala” is an indigenous informal banking money transfer system (passas 1999) Funds are transferred without an actual movement of money. This system predates conventional western banking. A hundi is an unconditional order made by a person directing another person to pay a certain sum of money to a person named in the order. The terms “hallaladar and hundiwala” refer to the hawala and hundi operator. Some researches date hawala or hundi back to more than a century ago, when Indian immigrant communities in Africa and South East Asia devised it as a means of setting accounts. Other places the origins of hundi/hawala several centuries ago, when traders sought a securities system to transfer money and through which travelers found a way to protect themselves against thieves. (Gautam, 2010)

Hundis, being a part of the informal system have no legal status and are not covered under the act that regulates bills of exchange, promissory notes and cheques like the negotiable instrument act 1881). They are normally regarded as bills of exchange, even though they were more often used as equivalents of cheques, issued by indigenous bankers (<http://www.museum.obl.org.in/m-hundi.html>, 28.4.2008)

Hundi is very common for sending money from other Asian states than India migrants that have worked in the middle East, Hong Kong, Malaysia, Japan, South Korea, Taiwan and western countries used the hundi system (amongst others). Depending on the sending country, the money does not flow directly to Nepal, but flows via other hundi centers like Hong Kong or Dubai. Sometimes the money is first converted into gold or other goods only once it arrives in Nepal, it is reconverted into – cash. The hundi system is more prevalent when migration is illegal. None of the migrants recorded any losses or bad experiences with the hundi system.

## B. Hand Carriage

Hand-carriage is the most common form of remitting money to Nepal, especially among migrants in the Gulf States and India. In India, hand carriage is the only system that is used. Migrants may either carry their remittance themselves or give them to family members or friends, who travel to Nepal. If a migrant also does not have to look for trustworthy persons that can take the money with them, nor does she need any documents yet the migrants should be registered in the host country. If not the migrant runs the risk of not being allowed back in to the host country. The police



could also possibly identify and prosecute the illegal immigrant. With few exceptions, the migrants have not faced any problems in carrying their money home.

If migrants give their remittances to a family member or a friend, the transfer is also free of charge. Migrants can also send other small things, such as letters and pictures. These friends often work for the same company and they do not have any problem sending it through them. Legal migrants from Malaysia often take money from illegal migrants. Depending on how many reliable colleagues a migrant has got, s/he may or may not send money regularly.

Migrants change this remittances in their host country in to us dollars in Nepal, remittance are changed into Nepali rupees (in banks, or preferably on the black market). Migrants from India and the Gulf States bring the national currency along. Many migrants from Saudi Arabia also bring gold with them which they can sell at a profit hence benefiting from it. Yet gold is subject to tax and there are limitations of import depending on the migrant's salary.

### C. Bank System

The third possibility is to transfer remittances through banks. This was only used by very few migrants, mainly staying in Western Europe. The main problem was that most migrants and especially their families in Nepal are not families with banking services. So it becomes almost impossible for the recipients to obtain the money. The bank transfer is also very slow. It can take two to three weeks until the money arrives at its destination. Furthermore, illegal migrants cannot obtain a bank account in their host country and many (rural) areas in Nepal simply lack the required bank infrastructure.

The main reasons for not using a commercial bank is the lack of banks, limited knowledge about commercial banking and the slow transfer process (Hand Carriage and hundi are much faster) people also trust their traditional ways of remittance transfer more than trust commercial banks.

## **2.5 Review of Foreign Employment Policies**

Since, literature on employment policies of all members countries in SAARC were not readily available, the paper is confined to Nepal, Nepal introduce " labor and employment policy 2005" the long term goal of existing Nepalese employment policy is to create investment friendly environment to the active labor market (MOF, 2006).

By creating investment, all the main power of the nation will be provide the opportunities of productive and full employment to facilitate sustainable economic development. Practice of forced labour and compressing bonded labour will be eradicated. The international standard of labour will gradually be practice in the work place of formal and non-formal sector in order to increases productivity through establishing good labour relationship the system of social security will be developed which will be inclusive of non-formal sector the labour market will gradually be made safe, faircompetitive and flexible including the development promotion of entrepreneurship safety and health. In addition, employment policy 2005 will help created and environment for ensuring equal access of female, dalits, indigenous people and displaced people to employment, eradicating child labour and making labour and employment administration effective, capable, fast and efficient.

There have been more act and policies prescribed by the government for foreign employment. If we analyze these policies we can found following results.

1. The government policies have not been able to accommodate the holistic aspect of the foreign employment. Most of them are focused with training, information, discrimination or remittance. Therefore integrated policy is necessary which should accommodate all migration cycle including the positive aspective which have been addressed by these policies.
2. The government has not been able to introduced long term policy the government has not been able to done able to provide alternative employment in the country and overall policy should be done and three years. Action plan is necessary for the enforcement of the provision of the Interim plan.
3. Even though various policies regarding foreign employment is prescribed by the government but there is no effective implementation of laws labours are being exploited by manpower agencies and deceived by brokers. It needs strong implementation of formulated policies.

## **2.6 Chapter Conclusion**

Movement of People from one place to another place is the outcome of human psychology and behavior. Any universal and uniform law cannot define human but, many studies relating to migration have tried to find out some pattern and order in migration decision of an individual. If a person goes to another country and sends back the money which he earns is defined as remittance. In the context of Nepal, the

government of Nepal has received millions of dollars as a remittance per year, and even today played a vital role in the Nepalese economy. But, whether the family is using the remittance properly or not should be analyzed, which is an important aspect in the study of remittance in Nepal.

Remittance has opened the area of the research to the economist and policy makers. As its share and volume keep on going, economic and financial model have got strong ground of empirical testing of hypothesis as "Remittance Led Growth." So, remittance has grater scope of expansion for a "Role Play" in the positive impact on socio-economic development of developing countries. Nepal has as encouraging picture towards this direction. However, because of the lot of traditional and emerging new reasons, the remittance sectors also would go in jeopardy if timely and proper policy measures and strategic actions were not adopted. Temporary inflow of such remittance cannot serve the long-term objectives of the country. For this initiations and derives need to be directed to a safe, reliable diversified and sustainable remittance.

## CHAPTER III

### INFLOW OF REMITTANCE IN NEPAL

In Nepalese context remittance has become one of the major sources of foreign exchange earning which is playing a very significant role for the development of developing country like Nepal. Now the situation of labor emigration and remittance has also significantly become a burning issue in the micro level too. As current belief and reality of remittance in Nepalese economy assumed in higher position, it is believed time honored to conduct this study to assess its current position and its inflow in the Nepalese economy on this area to dig the ground realities.

It was only after the 1990s the policy makers and academicians began to fully acknowledge the importance of remittance send by Nepalese employed abroad for enhancing the live wood of the household including those in rural regions.

#### **3.1 Foreign Labour Employment: Trend and Growth**

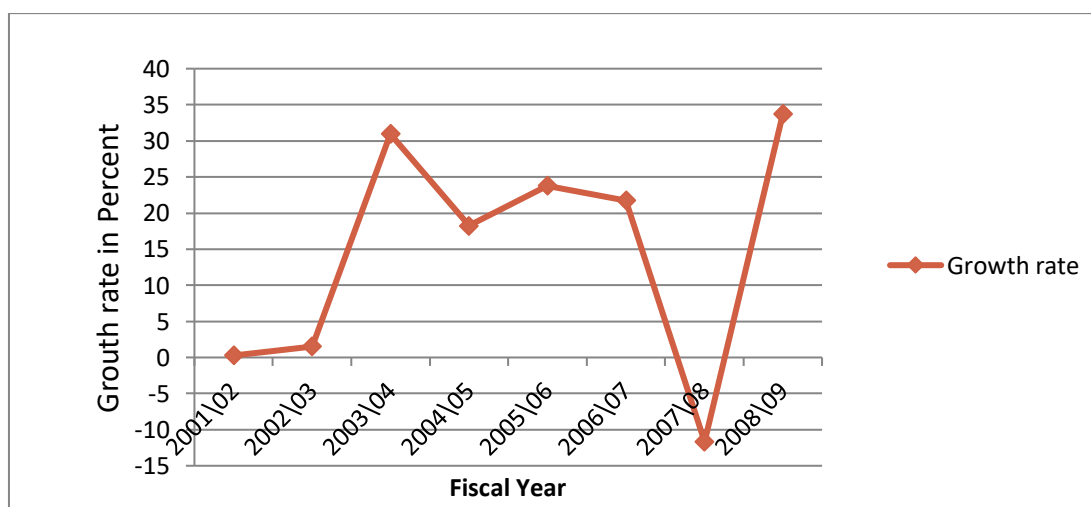
Foreign labour employment documentally started was after the establishment of democratic system in 1990 that Nepal integrated herself to the world and then diversities in dimension of emigration occurred enactment of foreign labour employment act 1985 realized the importance of emigration through the unofficial channel and recognize the future of foreign labour employment search of employment outside the country was entrusted to manpower agencies.

Now a day the supply of Nepalese youth in foreign countries in search of work is increasing day by day at a higher rate which contributed at 23% on national GDP. So the migrants of Nepalese workers in different countries in different fiscal year given by following table 3.1

**Table 3.1****Number of Nepalese Workers in Different Country in Different Fiscal Year and Growth.**

Country/FY	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Malaysia	52926	42812	45760	66291	75526	74029	50554	35070	113982
Qatar	19895	26850	24128	42394	53892	59705	85442	76175	55940
Saudi Arabia	21094	17990	16175	13366	15813	39275	42394	48749	63400
U.A.E	8411	112650	12760	12726	15137	25172	45342	31688	33188
Kuwait	378	907	3194	1789	640	2441	5099	2291	8253
Bahrain	695	818	606	536	540	1200	1967	6360	4234
Hong Kong	482	564	672	523	140	361	199	65	102
Israel	16	55	433	815	876	405	110	3378	316
Oman	96	44	73	330	28	509	2626	4147	3285
Macau	50	41	68	83	122	330	272	559	100
Afghanistan	0	72	327	0	32	182	1400	1538	735
Maldives	42	15	29	27	15	69	1116	377	335
America	34	39	46	101	12	35	545	354	274
Russia	2	0	0	0	150	51	83	39	32
Others	615	1186	1689	737	149	765	11902	9075	9918
Total	104736	105043	106660	139718	165252	204533	249051	219965	294049
Growth rate	-	0.293	1.54	30.99	18.27	23.77	21.76	-11.67	33.7

Source: Labour and transportation management office, Department of foreign employment 2010.

**Growth Rate of Foreign Employment****Fig 3.1**

Source: Based on table 3.1

Above table shows that the number of migrant people visiting abroad for foreign employment during FY2000/01 was in total 104736. During the FY till 2008/09 the

foreign migrant workers is in total 294049 . By the above table we can say that Malaysia has covered the top share of foreign employment among others. But after the FY 2006/07 Qatar has been taken the higher place for it .And the Saudi Arabia and U.A.E. are also followed them nearly. The share of other countries rapidly increases for foreign employment when the Nepalese workers started to go South Korea after implemented the EPS system in FY 2007/08, which has also helped to grow to share of other countries. From above we can say that the most favored destination of Nepalese workers are being Gulf countries .It might be related to the level of skill required or the level of wage earned by unskilled Nepalese workers . To analyze the growth of migrant people in various FY shows that it increasing trend except FY 2007/08, which is clearly shows in figure 3.1 also. In this period the growth rate seems to negative due to this stopped conflict for ten years in Nepal by Maoist and the government. Nepalese were realize peace and they hope to get job opportunities in own country. So Nepalese migrant did not like to go abroad for their work in this period. But after that the growth rate increased rapidly, it its about 35 percent till 2008/09.This trend shows that , the supply of Nepalese youth in foreign countries in search of work is increasing day by day at a higher rate.

### **3.2 Remittance in Nepalese Economy**

Remittance brought by British Gorkha soldier and the wages earned in different parts of India by seasonally employed Nepalese labour were significant in the Nepalese economy .Since earlier period but no due attention was given to it .There was to accounting of Nepalese employed in India British Gorkha soldier brought remittance in hard foreign currencies . Later on in 1990's when there was massive out flux of Nepalese labour in the gulf countries and Malaysia. Foreign currency brought by them increase tremendously and foreign employment and remittance brought by them attracted national attention .Internal arm conflict started in 1995 had negative impact on several sectors of the economy such as industry, tourism and even agriculture . The sustainability of Nepalese economy depended mostly in foreign aid and remittance. This how remittance has got prime attention in Nepalese context and several countries were opened for foreign employment. The importance of the remittance of Nepalese economy can be judge by the growth in the number of person leaving the country each year for foreign employment.

### 3.2.1 Inflow of Remittance in Nepal

In Nepal, much of early migration was the result of push factor like excessive tax burden exploitative agrarian relation 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 December 2, 1815. This Treaty permitted Britain recruit Gorkhas for military services. And they send their earned amount to their motherland countries or their families with that time the remittance incoming to the Nepalese economy.

With the flow of time Nepalese workers gone for foreign employment for other types of job and works, not only for the military services. At the present days this trend is rapidly jumped over few years back, with this increasing trend of going abroad the remittance inflow in origin country also increases the higher rate, which have been helped to boost the Nepalese economy rapidly.

Now a day to measure the inflow of remittance is become very difficult, because the migrant were sent their earned amount by various channels, mainly says Formal channels and Informal channels. Formal channels, the recipient remittance accounted in national financial sectors where as Informal channels is not accounted or recorded in national financial sectors such as Draft, Travelers, cheque, T.T. postal order, Bank transfer, electrical transfer etc are formal channels and hand carriage, hundi, with relatives and by self etc are known as informal channels.

In the context of Nepal commercial banks and money transfer company extended their services in various place of foreign however the most part of remittance received by informal channels like hundi. According to fourth household budget survey, conducted by NRB shows that out of total remittance 29 percentage share received from in this channels hundi. The main reason to extend it the services of formal sector not opened in rural area. Due to so only 66 percentage remittance in warding in to the country through the formal channels in which 22 percent from banking system and 44 percent of remittance inward from money transfer company.

We can easily measure the inflow of remittance only which inward to the country by official channels. Though there are basically three method of measuring remittance inflows. The first technique is through BOP estimate. The second method is the household survey of recipients of such flows, for instance, the Nepal living standard

survey(NLSS).The third technique is through bank is focusing on resources transfer institutions (panta, 2006).The size of remittance inflows examined in this paper refer to the worker remittance under the current account of the BOP data compiled the research department of NRB .So the annual inflow of remittance in Nepal in different fiscal year and it growth trend is given by the following table.

**Table 3.2**

**Annual Inflow of Remittance in Nepal**

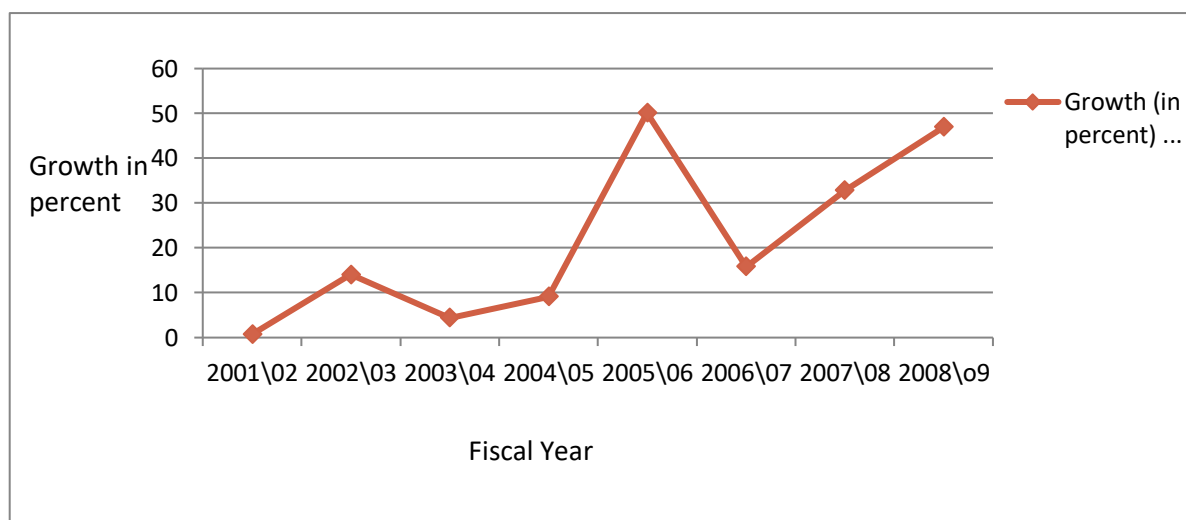
**(In million)**

FY	Remittance amount (in million)	Growth (in percent)
2000/01	47216.1	...
2001/02	47536.3	0.74
2002/03	54203.3	14.01
2003/04	56629.8	4.4
2004/05	6178.6	9.10
2005/06	92748.6	50.11
2006/07	107417.6	15.81
2007/08	142682.7	32.82
2008/09	209698.5	46.96

Source: Economic Bulletin mid Jan. 2009 and 10

**Fig 3.2**

**Growth Rate of Remittance in Nepal**



Source: Based on table 3.2

Above table 3.2 shows that rise of remittance inflow from RS 97.9 billion in 2000/01 to RS 20.9 billion in 2008/09. Due to policy initiatives under taken by the concern authorities enhancing the inflow of remittance through the official channels has been



going up. Initially the growth rate of remittance is 51.67 percent in FY 2000/01 .After this, the trend of growth is become fluctuating up to FY 2008/09.

From the above table and figure it is clear that the inward remittance in Nepal is in increases at a higher rate. This is 4.67 times more in FY 2008/09 then FY 2000/0. Thus the inflow of remittance increases year by year which become major source of Nepalese Economy.

Here we can also measure the per head inflow of remittance in yearly which is shown by the following table.

**Table 3.3**

**Per head inflow of remittance in different fiscal year**

(In Million)

Fiscal Year	Remittance in amount	Migrant people	Average Annual per head inflow	Real per head inflow
2000/01	97907.6	104736	93545.67	9794.56
2001/02	14859.8	105043	141423.97	10457.28
2002/03	41630.0	106660	390305	27958.36
2003/04	56629.8	139718	405314.99	36582.55
2004/05	61784.8	165252	373882.31	38185.90
2005/06	92748.6	204533	453465.21	53090.21
2006/07	107417.6	249051	431307.64	57782.46
2007/08	142682.7	219965	648660.92	71270.0
2008/09	209698.5	294049	713141.34	92500.44

Note: Average per head inflow =  $\frac{\text{Total remittance in per year}}{\text{Total migrant people in per year}}$

Real per head inflow =  $\frac{\text{Remittance in current price}}{\text{Consumer price index number of current year}} \times \text{Price index of base year}$

Above table 3.3 states that per head inflow of remittance in different FY with presenting average nominal inflow and real inflow. In fiscal year 2000/01 On an average nominal inflow of remittance was RS 93545.67 million and real inflow of remittance was 7094.56 million. The trend and pattern of nominal and real inflow of remittance continuously increasing till 2008/09 which we can see clearly in the above table.

### 3.3 Growth and Composition of Remittance

Remittance provides not only the significant portion of the GDP but it also contributes in savings and investment. The growth of remittance depends on the number forces working outside of country, the level of earning the portion of income that is sent back home. Other sources of remittance such as government transfer investment made by nation in other countries. The size of remittance also determined the availability of foreign currency in the country. Nepal Rastra Bank, the central bank of Nepal published data related to remittance is given in the table 4.3. The category of other remittance includes the money remitted by the labour employed in foreign land. It is only the money sent through formal channels.

**Table 3.4**  
**Growth and Composition of Remittance**

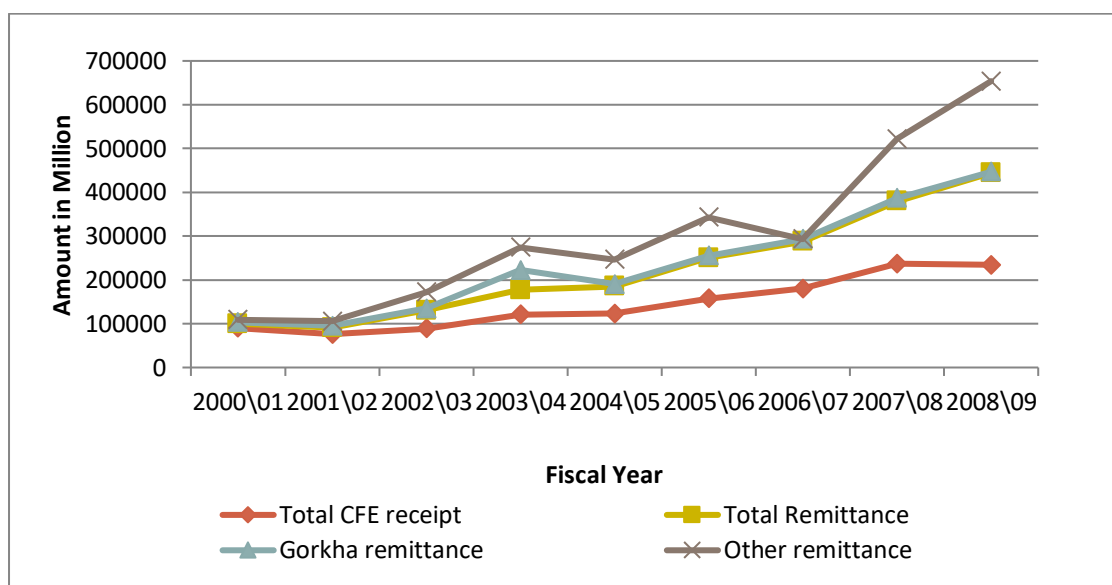
**(In million)**

FY	Total CFE receipt	Total remittance	Gorkha remittance	Other remittance	Percentage of other remittance	Sources of remittance	Annual growth rate of other remittance (%)
2000/01	89823.2	9797.6	3557.5	6240.1	63.7	10.9	-
2001/02	76153.3	14859.8	4334.2	10525.6	70.8	19.5	68.6
2002/03	88681.8	41630.0	4221.4	37408.6	89.8	42.1	255.4
2003/04	120643.2	56629.8	45055.6	52125.0	92.04	46.9	39.3
2004/05	123268.5	61784.8	5012.8	56772.0	91.89	50.1	8.90
2005/06	157297.3	92748.6	5231.1	87517.5	94.36	58.9	54.2
2006/07	179967.2	107417.6	5856.3	10156.1	94.55	59.69	16.1
2007/08	236982.4	142682.7	7071.4	135611.3	95.04	60.22	33.5
2008/09	234454.9	209698.5	2753.1	206945.4	98.68	89.44	52.6

*Source: NRB quarterly economic bulletin mid Jan. 2009 and 2010, and Economic Survey 2009/10*

**Fig 3.3**

**Total Convertible Foreign Exchange, Total Remittance, Gorkha Remittance and other remittance**



Source: Based on table 3.4

Table 3.4 Shows that the convertible foreign exchange (CFE) grew from RS 89823.2million in FY 2000/01 to RS 234454.9 million in FY 2008/09 which is about 2.7 times mores. Similarly remittance increased 21.4 times. It indicates that when remittance increased then convertible foreign exchange also increased, because the increasing rate of remittance contributes to increasing rate of CFE. The share of remittance also shows it in CFE. Initially which was 10.9 percent, but it was highly jumped 89.4 percent in 2008/09. The trend the trend is fluctuating after 2000/01 to 2004/05 but after 2005/06 it highly jumped. The other remittance grew from RS 6240.1million in 2000/01 to RS 206945.4 million in 2008/09, which is about 33 times more. Its share in total remittance was 63.7 percent, which is grew thoroughly 98.6 percent in 2008/09 it did not go down from 63 percent after 2000/01 rather went on the path of increasing trend. The annual growth rate of other remittance, the rate of change is extra ordinary which was 255.40 percent in 2002/03. The rate of change was not negative after the FY 2000/01 but highly fluctuated. So the flow of other remittance had been favorable to increase in convertible foreign exchange and in total remittance.

### 3.4 Percentage Share of Remittance in Major Macro Variables

From the mid-1990s remittance was viewed as a significant contributor to the national economy. It also increased domestic saving, and investment depends up on the domestic saving and foreign assistance. Since there is increased in domestic saving due to remittance, it was helped in investment and growth of economy.

**Table 3.5**

**Consumption of GDP, Saving, Investment and Remittance in Nepal in Different Fiscal Year**

**(In million)**

FY	GDP in product price	Domestic saving	Investment	Remittance	Remittance as % Of GDP	Remittance as% of investment	Remittance as % of saving
2000/01	441519	51501	98649	9797.6	2.30	9.93	19.02
2001/02	459443	43600	93020	14859.8	3.34	15.97	34.08
2002/03	492231	42141	105383	41630.0	8.79	39.50	98.19
2003/04	536749	63064	131671	56629.8	10.93	43.00	89.19
2004/05	589412	68110	155907	62784.8	10.90	39.62	90.71
2005/06	654184	58757	176533	92784.8	14.72	52.55	157.9
2006/07	727827	71453	207830	107417.4	15.41	51.68	149.30
2007/08	815663	80193	260170	139421.5	17.60	53.58	152.01
2008/09	991316	96298	338957	209698.5	21.15	61.86	217.75

Source: NRB Quarterly Economic Bulletin Mid. Jan 2009 and 2010, Economic Survey 2009/10.

Table 3.5 shows that the GDP grew from RS 441519 million in 2000/01 to RS 991316 million in 2008/09, which is about 2.24 times more. It is rapidly growing year by year. Similarly saving increasing from RS 51591 million in 2000/01 to RS 96298 million in 2008/09 it seems 1.86 times more. And also investment increased from RS 98649 million in 2000/01 to RS 338957 million in 2008/09 which is 3.34 times more. If we compare the growth of remittance it is 21.40 times more in the same period. Initially the contribution of remittance in GDP was only 2.30 percent which grew to the tone of 21.15 percent in 2008/09 proving its importance. Remittance as the percentage of saving has increased from about 19.02 percent in 2000/01 to 217.75 in 2008/09. If we compare the contribution of remittance in investment it has increased from 9.93 percent in 2000/01 to 61.86 percent in fiscal year 2008/09.

This analysis indicates that, if remittance is increased, it has helped to increased domestic saving. If domestic saving is increased, investment also increases and if

investment is increased GDP also increases. Thus the positive relationship of this sector is found each other. From these data and its analysis, what we can say is that remittance is playing vital role in reserving foreign currency and to give a significant contribution to upswing the Nepalese Economy.

### 3.5 Utilization of Remittance in Nepal

According to the table 3.6 total amount of remittance received by the household in rural, market Centre, 45 percent of the amount was found to be used in buying of land and house. This was followed by repayment of debt, which accounted for 31 percent of the total amount received. Household used 12 percent of the total amount was found to be kept in bank as saving, 4 percent of the amount was used in social workers such as health education etc. 2 percent of the amount is kept as cash in hand and only 1 percent of the amount used in other investment.

**Table 3.6**  
**Remittance and its utilization**

**(In million)**

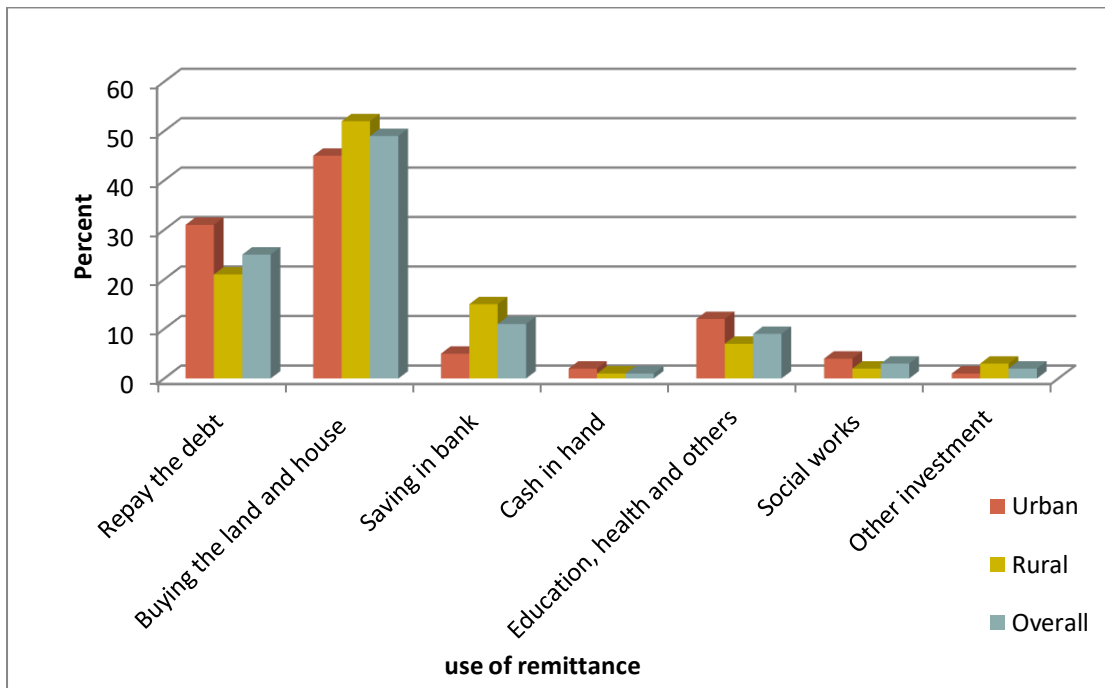
Uses of remittance	Rural		Urban		Overall all Market	
	Amount	Percent	Amount	Percent	Amount	Percent
Repay the debt	19762277	31	18680848	21	38443117	25
Buying the land and house	28831521	45	46537600	52	75369121	49
Saving in bank	3138900	5	13349059	15	16487950	11
Cash in hand	1372402	2	603500	1	1975902	1
Education, health and others	7372722	12	6457740	7	13830462	9
Social works	2282400	4	1896810	2	4179210	3
Other investment	84800	1	2471000	3	3319000	2
Total	63608222	100	89996540	100	153604762	100

*Source: NRB Household Budget Survey, 2008. NRB*

**Fig 3.4**

**The utilization pattern of Remittance in rural, urban and Overall Area**

**(In percent)**



*Source: Based on table 3.6*

The uses of remittance in urban market center different slightly compared to that in rural market center out of the total remittance received by the household in urban market center, a little more than half was utilized in buying land and house i.e. 52 percent of the total amount received, household kept 11 percent of the received amount was used in education, health and others, 3 percent of the amount was used in other investment and 1 percent of the amount was kept as cash in hand.

**3.6 Chapter Conclusion**

For the employment international migration is a good medium especially to the developing countries, which are facing unemployment. Due to the migration the developing countries are minimized unemployment problem. The unemployment earn a lot of money due to the foreign employment that's why the foreign employment has been attractive opportunity to the Nepalese youth year by year whatever girls and boys or even elders go for foreign employment and leave the country which can see by studying the data.

On the others, as a summary it is clearly shown that the inflow of remittance have been increasing at a high rate, in which the national GDP rate is directly related to the various factors like total saving of the economy and total investment, without which the economy cannot get higher GDP growth rate. The investment of the country like Nepal is directly dependent on the remittance inserted in to the economy. Therefore, we can say that the remittance is the major factor of the development of the country like Nepal.

Finally the data shows that there is the gap between saving and investment, thus utilization of remittance in investment is a great need of today which is in warding in to the country.

## CHAPTER IV

### OVER VIEW OF FOREIGN EMPLOYMENT AND UTILIZATION OF REMITTANCE IN THE STUDY AREA (AMCHOK VDC)

In this chapter the data, which are collected during the field survey, are showed in different tables and diagram, mainly primary data are used in this study and these are analyzed in this chapter. Basic–Economic information of migrants and their households are presented in this chapter.

#### 4.1 An Over View of Foreign Migrants

##### 4.1.1 Age Composition of Migrants

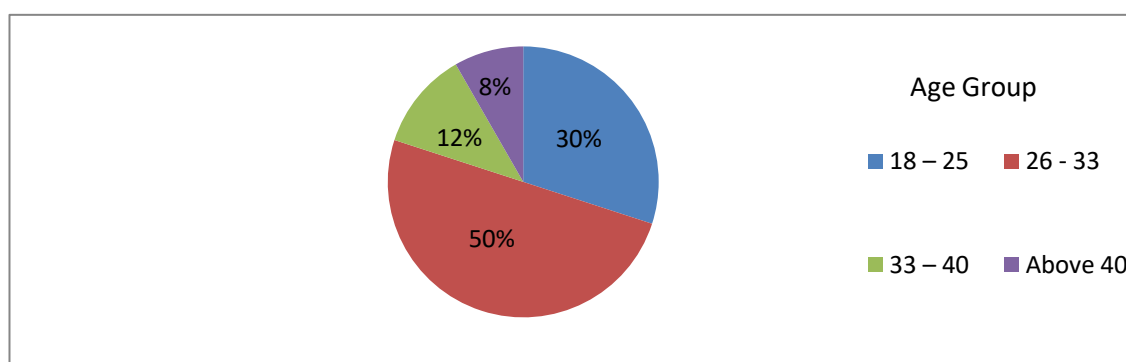
In this section, age description of migrant workers has been analyzed which helps to know how many people have been gone to foreign country among these age groups.

**Table 4.1**  
**Age Composition of Migrants**

Age group	NO. of respondents	Percent
18 – 25	18	30.0
26 - 33	30	50.0
33 – 40	7	11.7
Above 40	5	8.3
Total	60	100

*Source: Field Survey 2011*

**Fig 4.1**  
**Percentage of Age Group of Foreign Migrants**



*Source: Based on table 4.1*

Out of total migrants only 60 households were the sampled households; out of 60 migrant workers 30 percent are in the age 18 to 25 years .Migrants within the age 26



to 33 is 50 percent. Above 40 years migrants have been gone only 8.3 percent and 11.7 percent with of 36 to 40 years. This trend shows that, most of the economically active people have gone to the foreign country, because of the main responsibilities of the family.

#### 4.1.2. Education Status of Migrant Workers

In the table 4.2 education statuses of migrants has been shown which illustrates the educational background of the migrant workers.

**Table 4.2**

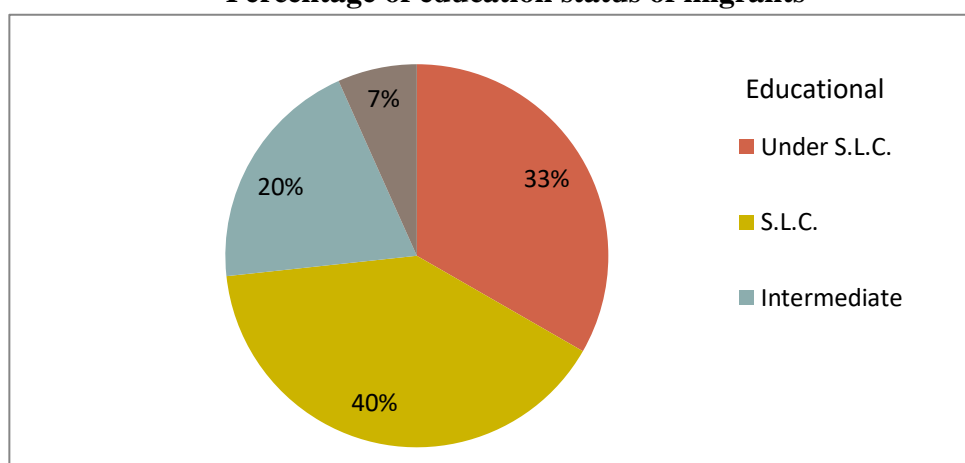
**Educational Status of Foreign Migrant Workers**

Education Background	No. of Respondents	Percent
Under S.L.C.	20	33.3
S.L.C.	24	40.0
Intermediate	12	20.0
Bachelor or above	4	6.7
Total	60	100

Source: Field Survey 2011

**Fig 4.2**

**Percentage of education status of migrants**



Source: Based on table 4.2

The above table shows that the educational status of migrant workers. 33.3 percent of them are under SLC passed. 40 percent of them have SLC passed, 20 percent of them have got intermediate level. Only 6.7 percent have got bachelor or above level. These

data clarifies those more than 50 percent migrants workers have below or equal SLC level qualification which explain the poor educational standard of the migrants.

#### 4.1.3. Gender Description of foreign Migrants Workers

In this section gender description of migrants' workers has been included and the table 5.3 helps to know how many people are male and female workers are gone for foreign employment.

**Table 4.3**  
**Gender Description of foreign Employment**

Gender	NO. of Respondents	Percentage
Male	59	98.3
Female	1	1.7
Total	60	100

*Source: Field Survey 2011*

The table 4.3 shows the gender description of migrants out of the total migrants 98.3 percent of them is male and 1.7 percent of them are female. It means only one female have gone for foreign employment. This trend shows that most of the migrant workers are male because main responsibilities of family and also shows there is male dominated society.

#### 4.4. Marital Status of Foreign Migrant Workers

Marital status of foreign migrant workers has been included in the table 5.5. The data on the table shows the marital status of foreign migrants.

**Table 4.4**  
**Marital status of foreign migrants**

Status	Total	%
Married	40	66.7
Unmarried	20	33.3
<i>Total</i>	60	100

*Source: Field Survey 2011*

Most of the foreign migrant workers in the study area i.e.66.7 percent of them are married and 33.3 percent are unmarried. These data clearly shows that, finally pressure is the main cause to go foreign country because of being married.

In the study area, the number of female migrants is very few in number. So, it does not essential to show each the table individually, if so the table shows only overall data of migrants.

#### 4.5 Major Destination of Foreign Migrant Workers

In this section, major destination of foreign migrant workers has been including which helps to know that how many people have gone to foreign country from the study area.

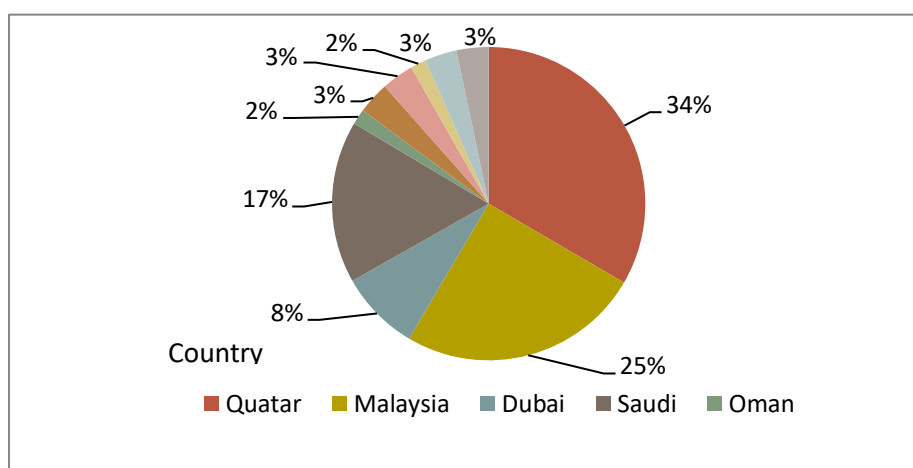
**Table 4.5**  
**Major Destination of Foreign Migrant Workers**

Country	Total	%
Qatar	20	33.3
Malaysia	15	25.0
Dubai	5	8.3
Saudi	10	16.7
Oman	1	1.6
Libya	2	3.3
Kuwait	2	3.3
Iraq	1	1.6
UK	2	3.3
Bahrain	2	3.3
Total	60	100

Source: Field Study 2011

**Fig 4.3**

**Percentage of Major Destination of Foreign Migrants**



Source: Based on table 4.5

From the above table it has clear that 33.3 percent workers are work in Qatar.25 percent are worked in Malaysia, 16.7 percent of them in SaudiArabia, 8.3 percent of

them are in Dubai, Labia, Kuwait, UK, and Bahrain have taken the equal share of 3.3 percent and also Iraq and Oman taken the equal percent of 1.6. It is shown that the Gulf countries are most favored destination for foreign employment from the study area. Among of all, the highest percent have been taken by the Qatar and Malaysia followed to Qatar in second, the mere portion of the total has been taken by out of gulf countries.

It is clear that, most of the workers have gone in Gulf country. Due to this, unskilled and low literacy of migrants. So the main destination countries are Gulf country for the foreign employment from the study area.

Comparison with the national scenario from the previous chapter, it seems that Malaysia has been taken the higher share a percent for foreign employment, from the view of over all nations, but from the study area Qatar has been taken the higher percent of migrants than among other countries.

#### 4.6 Causes of Foreign Employment

There must be several reasons of seeking foreign employment. The reason might be economical, social, and political. They may be related to the acquired skill and other reasons. To find out the causes seeking employment the respondents were asked to identify the prime causes to go for foreign employment, they gave more than one reasons which are shown by the following table.

**Table 4.6**  
**Frequency Distribution of Causes of Seeking Foreign Employment**

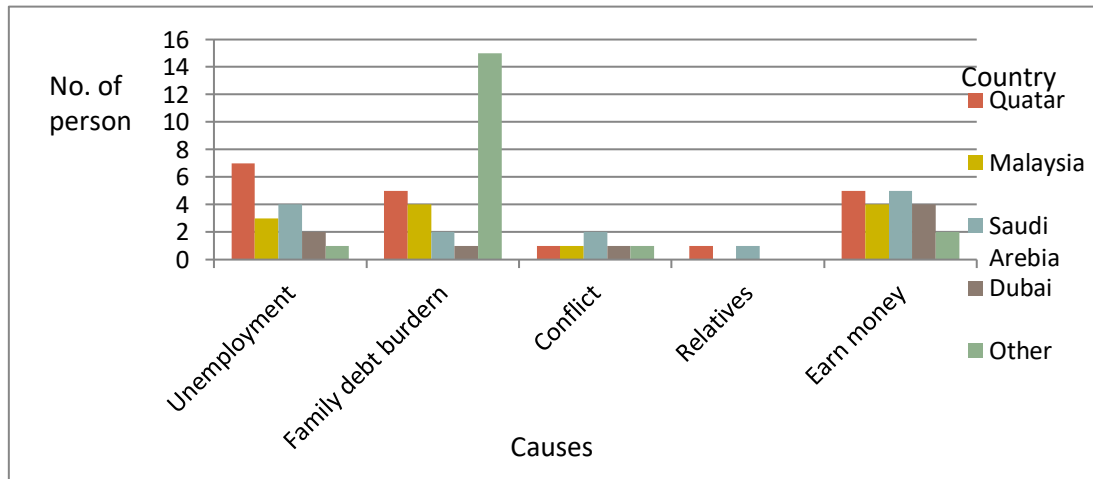
Employment country	No. of respondents	Causes				
		Unemployment	Family debt burden	Conflict	Relatives	Earn money
Qatar	20	7	5	1	1	5
Malaysia	15	3	4	1	-	4
Saudi Arabia	5	4	2	2	1	5
Dubai	10	2	1	1	-	4
Other	10	1	15	1	-	2
Total	60	17	25	6	2	20
Percentage	100	28.3	25	10	3.3	33.3

*Source: Field Survey 2011*

(Here, other includes Kuwait, Iraq, Oman, UK, Bahrain, Labia etc)

**Fig 4.4**

**Percentage of causes of foreign Employment**



*Source: Based on table 4.6*

Table 4.6 shows that employment and earn money are the main causes of foreign employment. Many respondents told that there was no employment with in the country. So 28 percent are gone for foreign country due to unemployment. And the larger percentage of migrants, 33.3 percent have gone cause of earn money.25 percent have been gone due to family debt burden. 10 percent of them have gone causes of conflict and only 3.3 percent has gone due to their relatives. From the above table, we can see that the respondents who had gone for foreign country because of unemployment had gone Qatar is great number last year. Out of total only 6 people are gone foreign due to conflict and only 2 were cause of their relatives in Qatar and Saudi Arabia. It was concluded that unemployment, family debt burden and money are the main causes of to seek foreign employment.

**4.1.7 Source of Financing**

Most of the rural people of Nepal who want to go for foreign employment use several sources of financing. They are lone; sales of property including internal saving as well as fund mobilize through the friends, relatives, merchant etc. To find out of extent of sources used by the respondents they were asked to provide their source of financing the foreign employment. The information collected from the interview is presented in the following table.

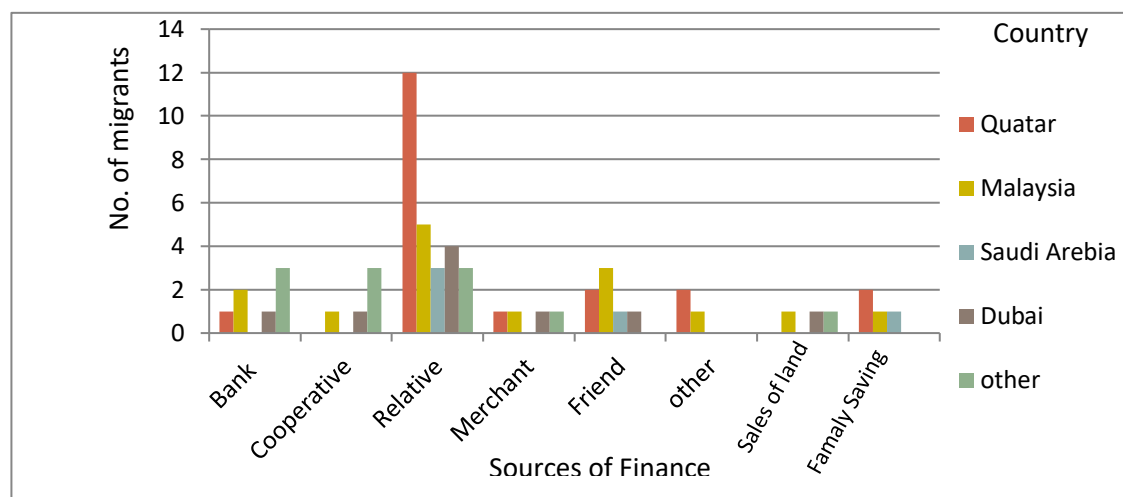
**Table 4.7**

**Frequency Distribution of Source of Financing of Cost of Foreign Employment for Different Country**

Employment country	No. of Respondents	Sources						Sales of land	Family saving
		Bank	Cooperative	Relative	Merchant	Friend	other		
Qatar	20	1	-	12	1	2	2	-	2
Malaysia	15	2	1	5	1	3	1	1	1
Saudi Arabia	5	-	-	3	-	1	-	-	1
Dubai	10	1	1	4	1	1	-	1	-
other	10	3	3	3	1	-	-	1	-
Total	60	7	5	27	4	7	-	3	4
Percentage	100	11.7	8.3	45	6.7	11.7	5	5	6.7

Source: Field survey 2011

**Fig 4.5**  
**Source of Financing**



Source: Based on table 4.7

Table shows that, 53 respondents or more than 85 percent of the total borrowed loan to pay the cost for foreign employment. Among 60 respondents 5 percent sold the land and 6.7 percent used their internal family saving. To sum up, it is clear that the table shows the respondents who had gone Qatar took loan from different sources were in number than the rest. Out of total 45 percent or 27 respondents were taken the loan from their relatives. 11.7 percent by their friends and 11.6 percent from cooperative and 6.7 percent by merchant. So the large number have gone foreign

employment financed the source from loan by various sector and some, migrants sold land and small number of migrants were used their family saving, which is clear from the above table.

#### 4.1.8 Different Kinds of Job According to Education

Education is essential to get a good job in the job market. So education also determines the job people get in the foreign country. Uneducated people have to work as a laborer and they get the remuneration accommodation. But the educated people can get better job and salary people. So, it is evident that and the job remuneration vary from educated people to uneducated people in great extent.

**Table 4.8**

#### **Frequency Distribution of Migrated Persons Education and Field of Work**

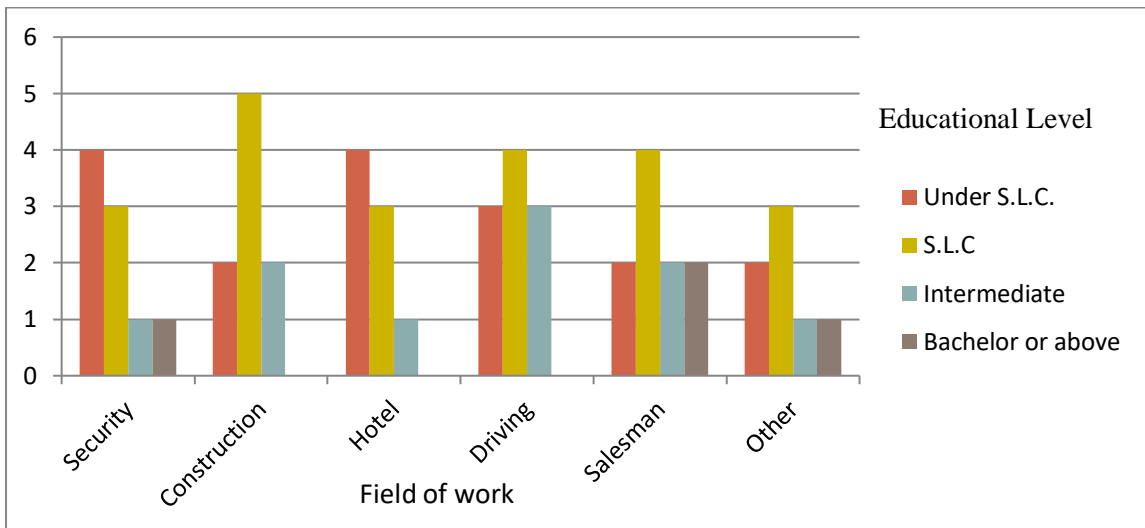
Field of work/Education level	Under S.L.C.	S.L.C	Intermediate	Bachelor or above	Total
Security	4 (20.0)	3(12.5)	1 (8.3)	1(25)	9 (15.0)
Construction	2 (10.0)	5(20.8)	2(16.3)	-	9(15.0)
Hotel	4 (15.0)	3(12.5)	1(8.3)	-	8(13.3)
Driving	3(10.0)	4 (16.6)	3(25)	-	10(16.6)
Salesman	2(10.0)	4(16.6)	2 (16.3)	2(50)	10(16.6)
Manufacturing	3 (15.0)	2(8.3)	2(16.3)	-	7(11.6)
Other	2(10.0)	3(12.5)	1(8.3)	1 (25)	7(11.6)
Total	20	24	12	4	60
Percentage	33.3	40.0	20.0	6.7	100

*Source: Field survey 2011*

*Note: Figure in parenthesis of row and column indicate percentage*

**Fig 4.6**

**Different Kinds of Job According to Education**



*Source: Based on table 4.8*

According to above table, among the 60 migrants respondents, 20 respondents have achieved the education of under S.L.C. level. 24 respondents have achieved S.L.C., 12 have achieved intermediate and 4 respondents achieved Bachelor or above.

Higher the education level more diversified the workers in different field of work of gradually choosing more skilled work and less the education more narrow field of work and workers gather in semiskilled category of work. In the table, under S.L.C. level education achieved workers are more security category of work and S.L.C. and above it achievers diversified them in different category of work like construction, hotel, salesman, manufacturing etc.

#### **4.1.9 Average Earning in Different Country**

Generally people of our country go for foreign employment with the purpose of earning money. But most of the people go there with no skill. That is the main cause to earn more money. The situation of average earning of the migrated person can be elaborated from the given chart.



**Table 4.9**

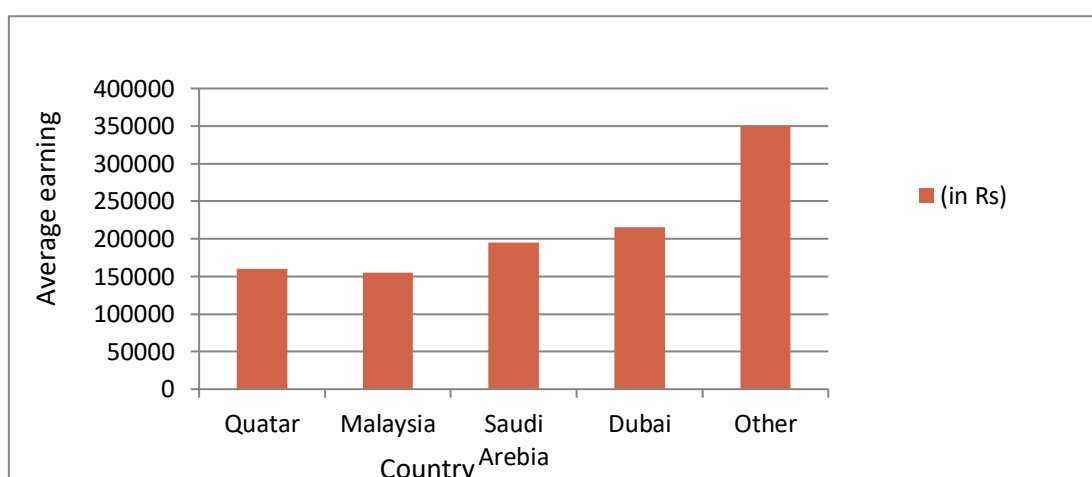
**Country and average Earning**

Country	No .of Respondents	Average Earning in last year (in RS)
Qatar	20	160000
Malaysia	15	155000
Saudi Arabia	5	195000
Dubai	10	215000
Other	10	350000
Total	60	2370000

*Source: Field study 2011*

**Fig 4.7**

**Average Earning in Different Country**



*Source: Based on table 4.9.*

This table displays the average earning of the migrants people and the country where they had gone last year. According to the table out of 60 respondents 16.7 percent respondents went other countries like UK, Kuwait, Libya, Macau, Oman etc. The people went to other belongs to higher class educated people. They went their academic purpose and earning money. The average earning of those respondents was NRs 350000 last year. Similarly out of 60 respondents 33.3 percent had gone Qatar and their earn amount on an average NRs 160000 in last year. Average income in Malaysia was NRs 155000. In comparison to the income of the respondents who had gone other countries, the average income of the respondents who had gone Malaysia and other Gulf countries was low. It is due to the Sami skill of the respondents. They were manual laborer. Because of whatthey were paid less.

To sum up, it becomes evident from the data that the respondents who had gone other countries were from higher class and they were skilled. So they become successful to earn much money as compared to the rest of the respondents.

#### **4.1.10 Medium Used to Obtain Foreign Employment**

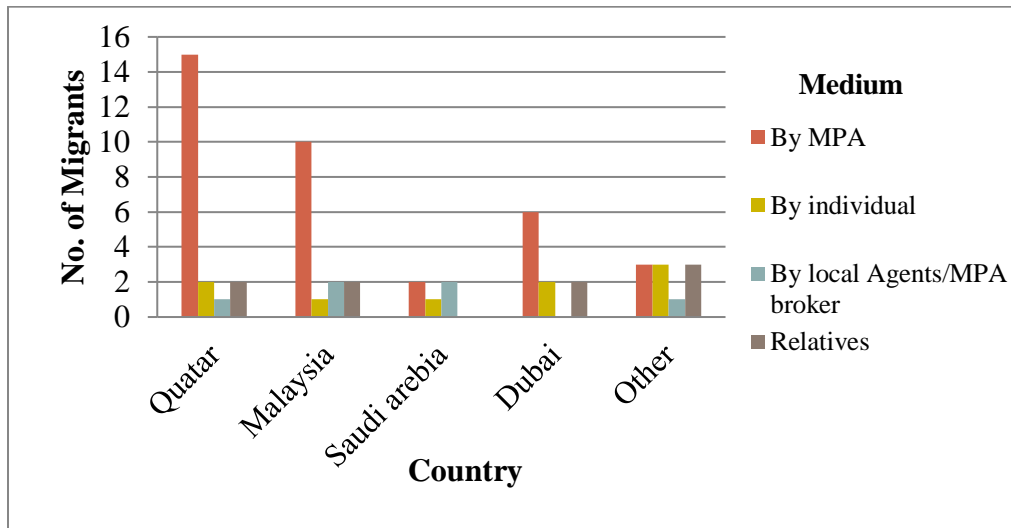
Peoples who want to go foreign employment need to know the job, salary, the nature contract and the cost of getting employment opportunity. Generally government registered manpower agencies (MPAs) are supposed to cater the needs for foreign employment seekers. Besides them individual contract also play important role. The quality of job, the cost is related to the medium use by the individual. The cheating by agent and the torture are also related with the medium used. The medium used this was considered to be important and the respondents were asked to identify it. The respondents are given the answer as in the following table.

**Table 4.10**  
**Frequency distribution of medium used to go for Foreign Employment by Respondents**

Employment Country	No. of Respondents	Medium			
		By MPA	By individual	By local Agents/MPA broker	Relatives
Qatar	20	15	2	1	2
Malaysia	15	10	1	2	2
Saudi Arabia	5	2	1	2	-
Dubai	10	6	2	-	2
Other	10	3	3	1	3
Total	60	36	9	6	9
Percentage	100	60	15	10	15

*Source: Field Survey 2011*

**Fig 4.8**  
**Medium used to obtain Foreign Employment**



*Source: Based on table 4.10*

Above table shows that among the respondents, 36 persons have gone to seek foreign employment through registered manpower agencies, 9 respondents managed through their own contact, 6 respondents used local agent and respondents with the help of their relatives. It is concluded that the majority of foreign job seekers uses the MPAs as a medium to find the jobs. Some used their friends and relatives as medium and very few choose local agents.

#### **4.1.11 Expenditure for Foreign Employment**

A sizeable amount of money needs to be invested as a cost of foreign employment. The cost started from obtaining a passport, medical, checkup, manpower agency, commission visa fees, air fare, cost of internal travels and hotel charge in Kathmandu at the time of processing for foreign employment. To find out the casts paid by the respondents they were asked to quote expenses in different group is given by the following table.

**Table 4.11**

**Average cost paid and Range of costs for Foreign Employment in Study Area**

(Cost in Rs'000')

Employment Country	No. of Respondents	Average Cost	Ranges of Cost	
			Minimum	Maximum
Qatar	20	90	30	110
Malaysia	15	92	40	120
Saudi Arabia	5	95	35	140
Dubai	10	150	50	150
Other	10	210	140	450
Total	60			

*Source: Field Survey 2011*

From the table the maximum range is paid by the migrants who go for foreign employment out of Gulf countries like UK, Kuwait etc. ,the number of these migrants is less than the workers who go to the Gulf countries to earn money but the cost paid is seems a bit high of them. And for the gulf countries the cost of fees for to go employment is seems as like as similar.

**4.1.12 Status of Skilled of Migrants Workers**

Skill is one of the most important factors which helps to find the proper job and increases the purchasing power of labor. Anybody who is trained can earn more money and get better job than unskilled labour. Most of the Nepalese seeking foreign employment are said to be untrained. They do not have adequate skills due to which employment in menial work and are paid low. The assessment of individual towards their own status of skill development the sources of training were asked in the interview, the responses received are presented in following table.

**Table 4.12****Frequency Distribution of Skill Status of Migrants Workers**

Employment Country	No. of Respondents	Unskilled respondents	Skill developed through		
			Institute	Friends/Relatives	Other
Qatar	20	15	1	2	2
Malaysia	15	8	1	1	1
Saudi Arabia	5	4	1	2	2
Dubai	10	4	3	2	1
Other	10	3	4	2	1
Total	60	34	10	9	7
Percent	100	56	16.7	15	11.7

*Source: field Survey 2011*

Table shows that 56.7 percent of job seeker considered themselves as unskilled before going foreign employment. Among remaining 43.3 percent some had skills related to driving, electricity wiring, carpentry etc. Some even had simple training in hotel management. Out of 26 individual 10 were trained in training institute, 9 individual development skill through their friends and relatives and 7 were from others (by self, by own family, with the help of experience). It shows that most of the foreign seekers were untrained and unskilled labour.

## **4.2 Utilization Pattern of Remittance in VDC**

### **4.2.1 Use of Remittance on Unproductive Sector**

The use of remittance depends on the priority placed by the individuals on different uses. The size of remittance, the time of availability, opportunities for investment and several other factors. Majority of migrants workers go abroad because of unemployment at home and poverty in the households. Generally the earning made by them are not big. The cost of foreign employment is borne by borrowing, there may be family rituals in waiting, keeping all these conditions in mind, the respondents were asked to identify the uses they made for the money earned abroad. Each individual spent the earning is more than one uses. To find out the use of remittance by the respondents they were asked to list the use of money in different heads. The answer given respondents are presented in the following table.

**Table 4.13**

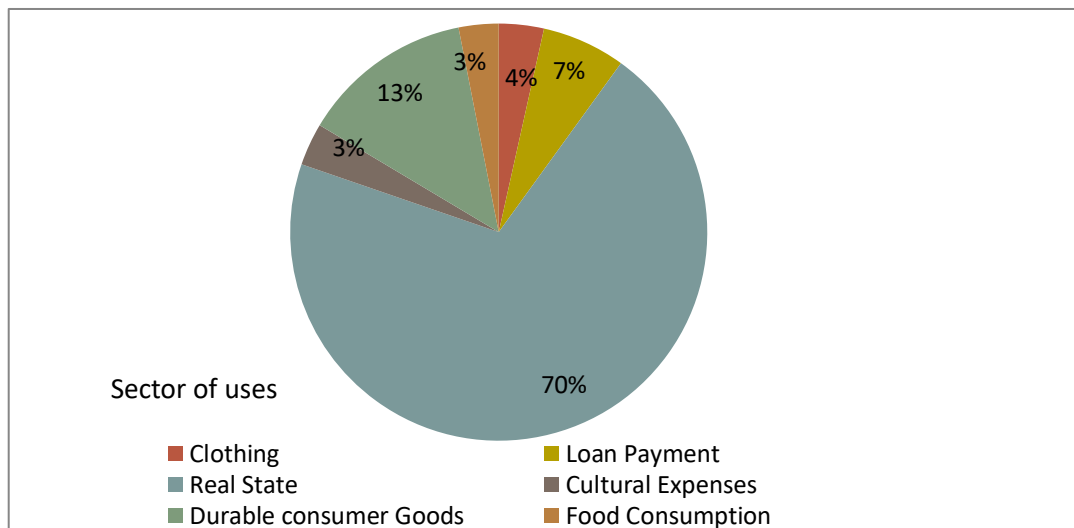
**Average Annual Expenditure on Unproductive Sectors**

Sector	Average Annual expenditure(in NRs)	Percent
Clothing	5500	3.5
Loan Payment	10200	6.5
Real State	110000	70.5
Cultural Expenses	5200	3.3
Durable consumer Goods	21000	13.38
Food Consumption	5000	3.1
Total	156900	100

*Source: Field Survey 2011*

**Fig 4.9**

**Percentage Uses of Remittance in Different Unproductive Sectors**



*Source: Based on table 4.13*

In the above table averaged annual expenditure on unproductive sector after remittance income level has been shown. According to this table, the sampled respondents were spending on an average NRs 5500 for the purpose of clothing which is 3.5 percent of total amount, 6.5 percent used for to pay the lone, 70.1 percent of the total amount spent for the purpose of real state. The huge amount of remittance used in this sector. 13.38 percent uses to purpose to buy consumer durable goods. Similarly, from the above table we can see that, for unproductive sector, respondents uses the remittance for the cultural expenses is 3.3 percent only 3.1 percent of remittance used for the food consumption.

The average annual expenditure on unproductive sector, about 56900 NRs might be due to the ‘Demonstration Effect’. In the foreign country remittance earner have seen the extravagant life style, expensive cultural ceremonies, uses of luxuries goods etc., and want to copy this also in own place. So they spent their income on unproductive sectors.

#### 4.2.2 Uses of Remittance in Productive Sectors

Nepalese migrant’s workers have earned some part of money and they were returned in home. But they have not used their total income in to productive sectors, due to use their total income in to productive sectors, due to several causes such as might be insecurity, lack of knowledge, lack of market, lack of sufficient capital, not availability of opportunities for investment etc.

**Table 4.14**

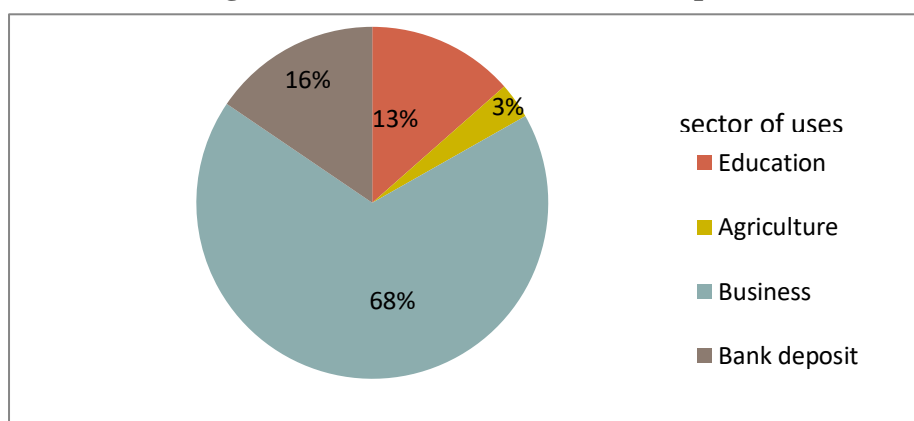
**Average annual Investment on Productive Sector**

Sectors	Average Annual Expenditure (in NRs)	Percent
Education	20000	13.5
Agriculture	5000	3.3
Business	100000	67.7
Bank deposit	23000	15.5
Total	148000	100

*Source: Field Survey 2011*

**Fig 4.10**

**Percentage Uses of Remittance in different productive Sectors**



*Source: Based on table 4.14*

Table 4.14 shows that average annual investment on productive sector after remittances have been shown. According to this, the sampled respondents were

spending on an average NRs 20000 for the purpose of education which is 13.5 percent of total expenditure on productive sectors. The sampled respondents were spending on average NRs 5000 for the purpose of the agriculture tools which are 3.4 percent of the total expenditure on being productive sector. Similarly bank deposit 15, 5 percent and for the purpose of business uses of remittance income seems hug amount among other which is 67.6.percent of the total productive expenditure, due to this most of the migrant households when they received remittance they start to do small business like hotel, cosmetic shop etc. so it covered the larger percent which is found by the field survey of the study area.

From above table it can be concluded that the average annual investment on a productive sector is lower than the average annual expenditure on unproductive sector. It is due to knowledge and also lack of proper policy of government for the utilization of remittance.

#### 4.2.3 Utilization Pattern by Marital Status of Migrants

The uses of remittance are also depending up on the marital status of migrants. So according to the sampled respondents answer, asking question about it. To find out the utilization pattern of their households the data given by the following table.

**Table 4.15**  
**Utilization Pattern of Remittance By Marital Status Of Migrants**

Use of remittance in productive sectors	Marital status		% of married	% of un married	Use of Remittance in unproductive Sectors	Status of Migrants		% of married	% of Unmarried
	Married	Un married				Married	Un married		
Education	19	3	47.5	15	Clothing	4	1	10	20
Agriculture	6	2	15	10	Loan Repayment	4	1	10	5
Business	5	5	12.5	25	Real Estate	5	1	12.5	5
Bank Deposit	9	5	22.5	25	Cultural Expanses	8	2	20	10
Others	1	7	2.5	35	Durable Consumer Goods	4	7	10	35
					Food Consumption	14	2	35	10
					other	1	3	2.5	15
Total	40	20	100	100	Total	40	20	100	100

*Source: Field Survey 2011*



Above table shows that the expenditure pattern of married and unmarried workers households in productive sector as well as unproductive sectors. Among the married workers households 47.5 percent of them expenditure of remittance on productive sectors in education. Similarly, among the unmarried workers households especially more expenditure on unproductive sectors like durable consumer goods by 35 percent but married workers households uses their remittance found only 10 percent . In productive sectors bank deposit kept by married households with 9 percent and unmarried household only 5 percent. On the other side in unproductive sector 20 percent unmarried workers households expenditure in clothing only 10 percent, married workers households expenditure on clothing. Likewise, uses of remittance on productive agricultural sector of married households higher than that unmarried households and in unproductive sector more expenditure of unmarried workers remittance unknown sectors denoted by other with 15 percent.

In conclusion, from the above table the married workers households use their remittance in productive sector more than unmarried workers households.

#### **4.2.4 Utilization Pattern of Remittance by Educational Status of Migrants**

The utilization of remittance according to the educational status of migrant's workers households is depend op on also the education status of migrants. Because if the migrants workers well educated he know about the utilization pattern of remittance and if the migrants not well educated he does not know about the utilization pattern of remittance in productive sectors, so their households uses their remittance in unproductive sectors. To know the fact about it asking the question with the respondents. According to their answer the data shown in the following table.

**Table 4.16****Utilization pattern of remittance of Remittance by Educational Status of Migrants**

Use Sector of Remittance	Under SLC	SLC	Intermediate	Bachelor or Above	Total
Education	1 (12.5)	2 (25)	3 (37.5)	2 (25)	8
Agriculture	2 (28.5)	3 (37.5)	2 (28.5)	-	7
Business	-	3 (37.5)	1 (20)	1 (12.5)	5
Bank Deposit	1(12.5)	2 (37.5)	3 (37.5)	1 (12.5)	8
Clothing	3 (60)	2 (40)	-	-	5
Loan Repayment	2 (40)	2 (40)	1 (20)	-	5
Real Estate	1 (25)	3 (75)	-	-	4
Cultural Exp.	2 (50)	2 (50)	-	-	4
Durable Consumer Goods	4 (66.6)	2 (33.3)	-	-	6
Food Consumption	2 (33.3)	2(33.3)	2 (33.3)	-	6
Other	2 (100)	-	-	-	2
<i>Total in Productive</i>	<i>4</i>	<i>11</i>	<i>9</i>	<i>4</i>	<i>27</i>
<i>Total in Unproductive</i>	<i>16</i>	<i>13</i>	<i>3</i>	<i>-</i>	<i>33</i>
<i>Grand Total</i>	<i>20</i>	<i>24</i>	<i>12</i>	<i>4</i>	<i>60</i>

Source: Field Survey 2011

Note: Figure in Parenthesis of row and column indicates percent.

The above table shows that the households use the remittance in different sectors (productive and unproductive) according to migrant's workers educational status. To see the table among migrants workers, under the SLC educational level household expenses on more unproductive sectors as like clothing, consumer durable goods and other unknown sectors this may be due to the lack of proper knowledge about uses of remittance . In education status of SLC also shows the more than half percent of remittance uses in productive sectors such as real estate (75%) cultural expenses (50%) etc. And to see the productive sector uses in agriculture sector and bank deposit sector seems to equal percent as 37.5 The education level of intermediate migrants households use their remittance quite more in productive sector like education and bank deposit 37.5 percent, 28.5 percent in agriculture sector. Similarly the education

level of bachelor of migrants' workers households all most all these remittance uses in productive sector like education, business and bank deposit .This might be due to the educated migrants workers proper guidance their households means as to using their remittance in productive sectors.

In conclusion from above table if the migrant workers are well educated they recommend to their households to use the remittance in productive sectors but if the migrant workers are not well educated they unknown about the use of remittance, so their households uses their remittance in unproductive sectors.

#### 4.2.5 Utilization of Remittance by Skill Status of Migrants

In here the utilization pattern of remittance according to the skill of migrants workers. So in the table shows the data according to respondents report taken by the field survey. From which it helps to know about the utilization pattern of remittance according by the skill migrants.

**Table 4.17**

**Utilization of Remittance by Skill Status of Migrants**

Uses of Remittance in Productive sector	Skill Status		% use by		Use in unproductive Sector	Skill Status		% use by	
	Skilled	Unskilled	Skilled	Unskilled		Skilled	Unskilled	Skilled	Unskilled
Education	7	6	26.9	17.6	Clothing	4	5	15.4	14.7
Agriculture	4	9	15.4	26.47	Loan Repayment	2	3	7.7	8.8
business	2	6	7.7	17.6	Real Estate	6	7	23.1	20.6
Bank Deposit	12	8	46.2	23.5	Cultural Exp.	5	8	19.2	23.5
Other	1	5	3.8	14.7	Durable consumer goods	2	4	7.7	11.7
					Food Consumption	6	5	19.2	14.7
					Other	1	2	3.8	5.8
Total	26	34	100	100	Total	26	34	100	100

*Source: Field Survey 2011*

Above table shows that the remittance uses by households according to the skill of migrants workers in productive sector as well as non-productive sector. Among the skilled workers households 26.9 percent of them used their remittance in productive (education) sectors, whereas unskilled uses only 17.6 percent in this sector. Similarly

if the migrants have been gone abroad with skilled, he might be earned more than unskilled migrants. So the skilled migrant's households received more remittance and used in productive sector such as bank deposit, agriculture, education etc. On the other if the migrants have gone without any skilled, less opportunities to get good job as well as lesser salary, due to this the unskilled migrants households use their remittance in unproductive sector like real state, durable consumer goods cultural expenses etc. It is also that who have been gone with skill he might be also well educated. So he know about the proper uses of remittance, but who have been gone without skilled he might be also not well educated and he is unknown about the uses of remittance, so his households use the remittance in unproductive sector.

The above table concluded that the unskilled migrant's household uses their remittance in unproductive sector more than productive sector \, whereas the skilled migrant's households use their remittance in productive sector more than unproductive sector.

#### **4.2.6 Reason of Non-Utilization of Remittance in to Productive Sector**

Nepalese migrants workers have earned some part of money in abroad and they were sent their earn amount or return in home. But they have not yet used their income in to productive sectors. Why they haven't used their income in to productive sector? They may have been several reasons. These reasons might be insecurity, lack of knowledge, lack of market, lack of sufficient capital, non-availability of opportunities for investment etc. To find out the reasons of non-utilization of remittance in to productive sector the respondents of this VDC were asked and there answers are given in the following table:

**Table 4.18**

**Causes of Non-Utilization of Remittance in to Productive sector**

Causes/Reason	No. of Respondents	% of Respondents
Conflict	9	15
Lack of sizeable capital	16	26.6
Lack of Market	10	16.7
Lack of Knowledge	15	25
Other	10	16.7
Total	60	100

*Source: Field Survey 2011*

The above table shows that the remittance has been affected by so many factors. For the convenience; these factors are termed as the non-utilization of the remittance has

been classified into five heading and the data are compiled in accordance to the number of respondents. The causes of non-utilization vary from different households. Among the total respondents 26.6 percent says that the causes of lack of sizeable capital is not uses the remittance in productive sector, equal percent 16.7 of them have reported that due to the lack of market and other causes, 25 percent due to lack of knowledge,15 percent were conflict they used the remittance in unproductive sectors. Here other causes are might be lack of proper knowledge of education utilization, investment in productive sector, of the received households etc.

## CHAPTER V

### COMPARISON OF ECONOMIC STATUS OF HOUSEHOLD BEFORE AND AFTER THE REMITTANCE RECEIVED

In this chapter, we can compare the economic status of migrant household before and after received remittance as well as what the impact of remittance is after received it. So for this, asked the question with respondents about it and according to their answer the data have been analyzed with different topic as follows.

#### 5.1 Total Land Holding Before and After Remittance Income

The landholding exercise before and after remittance income is shown in the table 5.1

**Table 5.1**

**Total Land Holding Before and After Received Remittance**

Before Remittance income			After Remittance income		
Land holding size *	No. of respondent	Percentage	Land holding size	No. of Respondents	Percentage
Landless	1	1.7	Landless	-	-
Up to 5	5	8.3	Up to 5	2	3.3
5-20	10	16.6	5-20	13	21.7
20-40	25	42.4	20-40	22	36.7
40+	19	31.6	40+	23	38.3
	60	100		60	100

*Source: Field survey 2011*

\*Ropani (1 hector=19. 657178 Ropani)

Table shows the figure of land holding size before and after the remittance income. It is observed that the landless household decreased zero after remittance income it is likely the people in rural area prefer having own land than to do other business activities. It is also found the household who have already owned land land also buy new land from their remittance income. This figure symbolized the characteristics of rural practices of Nepalese economy that people say “land is the property cannot be

stolen.” It is proved that people do not prefer to take risk by investing in other sector as the households with high ropani land buy extra land from their remittance.

## 5.2 Changes in Household Economy due to Foreign Employment

It is believed that if somebody received remittance in households economy improve. The change in economic wellbeing improvement in living standard will improve skills; social status might be some of the area where the change takes place. To find out the change in household due to remittance or foreign employment the respondents were asked give their own adjustment. The answer given by them is presented in the table 5.2

**Table 5.2**

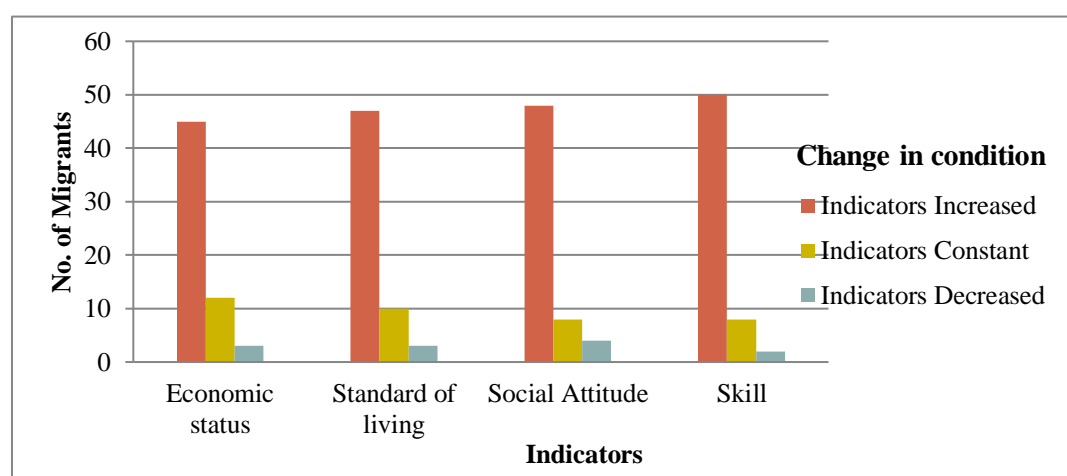
### Frequency Distribution of Changed in Different Indicators of the Respondents

Indicators	Change in condition			Total
	Increased	Constant	Decreased	
Economic status	45 (75)	12(20)	3(5)	60
Standard of living	47(78.3)	10(16.7)	3(5)	60
Social Attitude	48(80)	8(13.3)	4(6.7)	60
Skill	50(83.3)	8(13.3)	2(3.3)	60

Source: Field Survey 2011

Note: Figure in parenthesis of row and column indicate percent

**Fig 5.2**  
**Change in Economic Status due to Foreign Employment**



Source: Based on table 5.2

Above analysis based on the total sample without separation it shows that 75 percent respondents reported that their economic status has increased after received the

remittance, other 20 percent respondents said that their economic status remain same, 5 percent said that their economic status decreased. Decreases economics might have been resulted with high cost low pay or short employment. 78.3 percent respondents have increased the living standard after foreign employment or received remittance 16.7 percent said remain their standard of living same, only about 5 percent said decreased their living standard. 80 percent respondents felt that social attitude towards them have changed and were looked upward because of their earning. But 13.3 percent respondents said that they had some skill because performed same work abroad as they have done in Nepal.

It can be concluded that most of the respondents felt that there was a positive change in their household economic and social indicators after going foreign employment.

### 5.3 Effect on Other Indicators

How the foreign employment and remittance impacted on certain household indicators? Do they live in better house? Do they send their children to better school? How the health has changed? Is their family batterer dressed? Are they protected from rural indebted ness at the time of need? These were very pertinent questions positive impact on them depended on size of income of respondents brought from foreign employment, family size, economic condition of family, before foreign employment knowledge of respondents, culture of society etc. To find out the impact for an employment on household indicators the respondents were asked to respond on changed brought by foreign employment. The answers provided are given in the following table.

**Table 5.3**  
**Frequency Distribution of Impact on Other Household Indicators of the Respondents**

Indicators	Change in Condition		
	Increased	Constant	Decrease
Condition of housing	52(86.6)	7(11.7)	1(1.7)
Education of children	50(63.3)	8(13.3)	2(33)
Health of family members	48(80)	9(15)	3(5)
Clothing	54(90)	5(8.3)	1(1.7)
Cash reserve in themself	45(75)	13(21.7)	2(3.30)

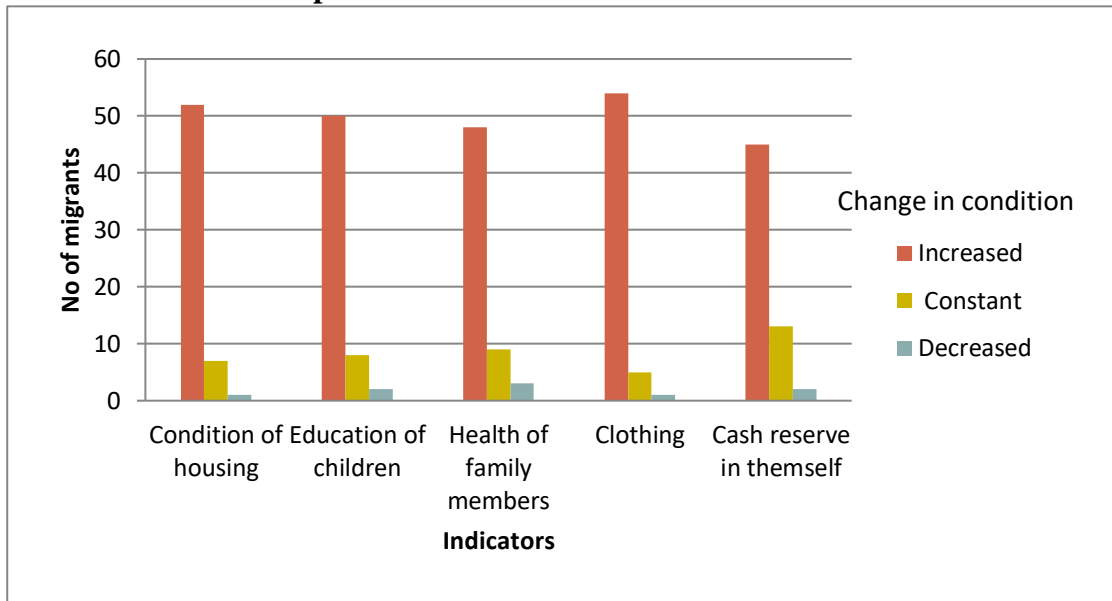
*Source: Field Survey 2011*

\*The figure in parenthesis of row and column indicates percent.



**Fig 5.3**

**Impact on Other Indicators of Households**



*Source: Based on table table 5.3*

Table 5.3 shows that 86.6 percent respondents to have improved the condition of housing. It shows that anybody who had from foreign employment either have made new house or repair old house. Around 12 percent respondents reported that the house condition remained same. The reason might be low income or other more pressing priorities. More than half of the respondents reported that the education of the children have improved after foreign employment. It might be the result of improvement of the economic condition of individual who could afford Boarding school for their children. But around the 3.3 percent of the respondents reported that the educational condition of their children worsted. It might be due to the absence of parents to guide the children at home.

Around 13.3 percent respondents reported that the level of education of their children remained same. 48 respondents reported that the health condition of their family members have improved after foreign employment .It might be result of again income and affordability of medical services. Around 5 percent respondents reported worsened health condition of their family members. It might be due to over wok or burden in the family cores. About 15 percent respondents said that the health condition of their family members remaining the same ever after returning from the foreign employment. It might be due to general health condition of the area and health

awareness. More than half of the respondents said that household members are using better clothing after received the remittance. When the availability of liquid cash to meet their need. About one six of the respondents said that they were worse off. Remaining one half said that they are in usual situation. It indicates that foreign employment has increased the liquidity situation of the participation of the foreign employment. The lower level of liquidity might have been the result of high expenses, low income of the high cost of foreign employment. It was not analyzed in detailed in this study.

It can be concluded that around 80 percent respondents of this VDC have improve different household's economic indicators due to foreign employment. In short, people who have reformed economic indicators due to foreign employment have received some economic benefit and improved their financial social and economic condition but it cannot be said it has improved their life tremendously. It might be a indicators that remittances brought by the foreign bound labour have benefitted other than the employee himself.

#### **5.4 Effective on Physical Assets due to Remittance**

The migrants' household seems to more impact on the sector of physical assets by the comparison of the condition of physical between before and after received remittance. Here mainly concern with the effect on agricultural tools, T.V., Telephone, computer etc. So asked to the sampled respondents about it answer have been found which has been helped to know, what the impact is or to comparison the status of physical assets before and after received remittance income; which is shown by the following table.

**Table 5.4**  
**Comparison on Physical Assets of Households Before and After Remittance Received**

Physical assets	Before households	After households	Amount	
			Before	After
Agricultural Tools	35	45	50000	12000
Vehicles	2	6	10000000	1500000
T.V. Radio	15	45	6000	1500000
Telephone	10	50	5000	10000
Refrigerator	-	-	-	250000
Computer	-	2	-	35000
landholding	10	20	500000	1000000

*Source: Field survey 2011*

Above table shows that, out of total sampled respondents 35 respondents with have agricultural tools before received remittance but after received the remittance which is increased 45 people has been used it and paid 12000 NRs after received remittance. Similarly increases the number of vehicles uses households (here vehicles indicate mainly motorbike, Tractor, taxi etc.).It is clear that more than half of the sampled respondents were buy the T.V., Radio, Telephone after received the remittance, Only 2 respondents have been given the answer to buy the computer after remittance income. The huge amount of remittance uses for the purpose of buying these types of things, after buying the vehicles. Also increases the land holding respondents after received remittance, mainly they were buy the land in urban sector or quite developed area, like near the campus, near the main road etc.

### 5.5 Effect on Saving and Investment due to Foreign Employment

Any income which is by remittance or by other activities of households, some portion of it used for investment and remaining part of it is being saved. If the households situation with low income level there will be no any possibility for to more saved and investment , extend for it , that all used for consumption expenditure. According to the sampled respondents answer of asking question about it, what was the effect on saving and investment.Any income which is by remittance or by other activities of households, some portion of it used for expenditure, some before and after the remittance income shows by the following table.

**Table 5.5**  
**Comparison of Saving and Investment in Different Sector due to Receive the Remittance**

Saving /Investment sectors	Before	After	Amount	
			Before	After
1. Business Sectors				
i. Wax Factory	-	-	-	
ii. Mill	3	7	200000	500000
iii. Fancy shop	7	30	100000	300000
iv. Hotel	10	25	50000	2000000
v. Fishery	-	1	-	50000
vi. Poultry	-	3	-	
vii. Other	3	10	200000	500000
2. Deposit/ Bank Balance				
i. Bank	10	20	300000	500000
ii. Cooperative	15	30	50000	100000
3. Investment in Capital Market				
i. Shares	-	3	-	50000
ii. Bonds	-	-	-	-

Source: Field Survey 2011

Above table shows that the effect on saving and investment due to remittance. In the business sector more than half respondents increased the trend after received the remittance, before the remittance income the respondents who have done business and they spent for it about 550000 NRs in different sectors of business. But when they received the remittance after this amount increases near about 1800000 NRs. Here other indicate that the small whole sells and stationary shops. Other aspect of saving or deposit in bank. It seems to be that very few person or about 25 respondents were deposit in bank or save in cooperative which are activated in rural area, about NRs 350000 before the household received remittance, due to this in rural area their income is low, so they could not able to more saved, it might be their all income used for consumption. But after received the remittance their income level quite high and able to some portion of income is being saved. So about 50 respondents able to save their income around 600000 in bank deposit or in cooperative after remittance income. In rural area there is no any possibility of capital market percent, if so after remittance only 3 respondents were invested in share in orbans' bank about 50000 NRs but before remittance it had been not.

In conclusion we can say that from the above comparisons the trend of investment and saving have been increases after received remittance, increases the respondents as well as their amount. For the save of their income even in low range the cooperative played the vital role, which is activated in rural area. And also more respondents started to do business after received the remittance income.

#### **6.6 Comparisons of Consumption Pattern Before and After Received Remittance**

Consumption is the essential part of human beings like food consumption. Either low income or high income group they have to consumed, but in different ways is deepens up on their income level. To know this pattern, taking the interview with sampled respondents about effect of income on consumption? According to the respondents consumption have been done with the help of following table.

**Table 5.6**

**Consumption Pattern of Remittance of Households before and after Received the Remittance**

Consumption Pattern	Before (days in week)	After (days in week)	Amount	
			Before	After
Food	7	7	1000	1500
Fruit	2	5	500	1000
Meat	1	3	500	1000

*Source: Field Survey 2011*

The table shows the consumption pattern of the households before and after received the remittance. Normally the food consumption seems all days in a week but paid the amount for it is low, which is only NRs 1000 before remittance income in a week. But after received the remittance income it increases 500 NRs or 1500 NRs have been found to be paid for the food consumption by the sampled respondents. In a week only 3 days consume Fruit and paid for it 500 NRs before the remittance income but after received remittance these days increases up to 5 in a week. And the respondents said that only one days consumed meat and paid only 500 NRs before the remittance income due to this lack of money to paid for meat with them when they received their income level become high and the meat consumption pattern also increases up to 3 days in a week as well as increases the paid amount for it.

It is clear that from the comparisons of above we can say that the income level have been effect on consumption pattern directly.

**5.7 Loan/ Debt Condition Before and After Received the Remittance Income**

If the households income level not sufficient for to sustain the activities of households at that condition the people have to take the loan which is also depends up on the income households. To find out the reality of it what have been effective on loan condition before remittance income and after remittance income of the households' activities the answer by them have been shown in by the following table.

**Table 5.7**  
**Comparison of Loan/ Debt Condition of Households Before and After**  
**Remittance**

Loan/ Debt condition	Amount	
	Before	After
For HHs expenditure	10000	-
For Education of children	4000	-
For Food	3000	-
For Other	2000	-

*Source: Field Survey 2011*

Above table shows that for the purpose of households' expenditure the sampled respondents (but not all) reported that they have been taken loan about 10000 NRs before received remittance, Similarly NRs 4000, 3000 and 2000 for the purpose of education of children, food and for other activities (other means cultural expenses, health etc.) of the households respectively, causes of taken loan for it before remittance their income might be low. But they said that after received the remittance income it was not needed to take the loan to fulfill these requirement or maintain the household's regular activities.

### **5.8 Distribution of Negative Impact of Labour Migrants**

All things have two aspects, that negative and positive. In this section, Negative impact of labour migration has been described through this topic by asking the question with Respondents, according to their answer, its shows the impact which is as following.

**Table 5.8**  
**Distribution of Negative Impact of Labour Migration**

Description	No of respondents	Percent
Migrating skilled manpower	30	50.0
Felling insecurity	3	5.0
Homesick Problem	5	8.3
Deficiency of local development activity	13	21.7
Death of migrants	2	3.3
No answer	4	6.7
Other	3	5.0
Total	60	100

*Source: Field Survey 2011*

Table 5.8 shows that the half percent of total sampled responded have viewed that migrating skilled manpower, from which local resources has been not utilized properly and the potentiality of the development process of local level remain constant also decreased, which directly negative impact on developing process of the economy of the owner country. 21.7 percent have viewed to directly in local development activities. Among sampled respondents 8.3 percent migrant were suffer from homesick problem, 5 percent felt insecurity, 6.7 percent have been not given the any answer and 5 percent gave the answer other(suffer from various types of diseases). Among the sampled respondent or households it seems 2 people were died in foreign country that have gone with the aim to earn more money, that is bad aspect of foreign migration.

From above table cannot say that the remittance always have positive impact on economy, beside of its own some dangerous negative impact on economy or households, if we cannot uses properly the remittance , and also lack of aware of migrant persons.

### **5.9 Suggestion for Properly Utilization of Remittance by the Respondents**

Some questions were asked during the field survey about suggestion for properly utilization of remittance and their view about it is given by the following table.

**Table 5.9**  
**Suggestion for Properly Utilization of Remittance**

Suggestion about	No. of Respondents	Percent
Government should bring secure policy	10	16.7
Government should encourage the people	15	25.0
Government should providing training	11	18.33
Government should give security in investment	8	13.33
Should create opportunities	12	20.0
Don't know	4	6.7
Total	60	100

*Source: Field Survey 2011*

Table 5.9 shows that 18.33 percent of the respondents have viewed about the government should provide training about investment. 25 percent were answered that the government should encourage the people to use the remittance in productive sectors or other benefited field. 20 percent of them have viewed that the government should create investment opportunities. Among them 16.7 percent have given answer government should bring secure policy for to investment and to do other economic activities. This implies that the proper utilization of remittance has not been yet done due to lack of appropriate policy and environment.

## CHAPTER VI

### MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 Summary of the Findings

The main objectives of this study in to identify the utilization pattern and to compare of economic status of migrants households due to the remittance income in rural community in the study area. More over the study tried to identify the past trend of foreign employment and remittance of Nepal, socio economic characters of foreign employs, source of financing and cost for foreign employment, change brought by foreign employment and remittance in household economy and uses of remittance.

To fulfill these objectives of the present study, Amchok VDC in Ilam district was selected area and sample survey was conducted during 2011. The sample size was 60 households were chosen by single stage random sampling method and the data were collected through the questionnaire method. Some secondary data were used to compare the consumption of foreign employment and remittance in this study.

#### **From the study, following Findings have been drawn**

1. The trend of foreign migration increases day by day for to employment & earns money in different abroad country.
2. The trend of Growth of Remittance also increases at a increasing rate, which directly gave the positive contribution of nation's GDP which is nearly 25 percent of the Total GDP.
3. The main destination of Nepalese workers are gulf countries in which Qatar have been taken on the higher percent of it. Only 6 percent of the respondents had gone in to other Europe or other development countries.
4. The major reasons to seek foreign employment include unemployment , family debt burden and to earn money in specially.
5. The means to get foreign employment more than 50% of sampled respondents were MPAS. Other went either through the unregistered agents of personal initiative.
6. Among the migrants 56 percent foreign job seekers didn't have skills and took unskilled labor job.



7. The main source of financing for foreign employment for 80 percent migrants workers was borrowing only 6.7 percent uses their family saving. Another 5 percent manage the cost by sales their land.
8. Major sector for of employment for Nepalese workers were security, building construction, Hotel as well as manufacturing sector.
9. The average earning of the migrants workers is quite less in Gulf countries then other countries like European countries. In other country average income of all groups near about 3,50,000per year but in Gulf countries it is around 1,60,000 in per year.
10. For the process of foreign employment more than half percent people spend 70 to 130 thousands.
11. The percentage of female migrants only 1.7percent which is only from Limbu community. It means the females have not been gone for foreign employment from the study area.
12. To analyzed the marital status out of total migrants 67 percent were married and remaining portion are unmarried, so percentage of married person have been gone for foreign employment more than the unmarried person.
13. The major portion of the remittance is used in unproductive sectors like consumption, Real state, paying loan and social spending. But some portion of the remittance is used in productive sector like education, business agricultural sector etc.
14. The respondents of this VDC were not utilized in proper sectors their remittance caused by the non-security and on availability of sizeable investment funds for investing in productive sector of the economy.
15. The respondents of this VDC said that remittance have increased their household economy and social indicators after received remittance. Around 75 percent respondents said those remittances have increased their economic status. Around 78 percent said that remittance has increased their standard of living. Around 80 percent said social attitude and skill but 4 percent said decrease their skill and this attitude and 3 percent said that decreases their economic status and standard of living. Whereas around 12 percent said that the economic status and living standard remaining the some after received remittance. And 8 percent of them said their social attitude and skill remaining the same level even after received the remittance.

16. In this VDC, from the sampled respondents report, remittance has also done impact their other indicators. It was said that around 86 percent respondents improve their condition of house 63 percent respondents said that improve their education of children 80 percent improve their health of family members. Around 90 percent improve their clothing and 75 percent said that increase their cash available. And nearly 12 percent respondents said that they have some the house condition, 13 percent said same level of education, 15 percent reported that remaining the same level of health condition and 5 and 3 percent said at the same level as before, but very few percent said that decreases their economic education. Health, clothing and cash reserve in themselves. This is around 2 percent of them.
17. From this study, also some negative impact of remittance, in the study area. 30 percent of among respondent, have been migrants skilled manpower from the VDC, 21.7 percent of the respondents have viewed that these is deficiency in local development activity due to abroad migration.

Among the sampled house hold, the selected responded they reported that 2 migrants were died in abroad country in the process of work. This is the bad aspect of foreign employment. Remittances have emerged as one of the premier sources of foreign exchange in Nepal. Recent years they have been on important revenue of support for family members remaining at home. It has migrant workers is an effective tool for poverty reduction. Though freeing employment is boon to the economy, the facilities are inadequate to back of the in changing trend of migration.

## **6.2 Conclusions**

Remittances have emerged as one of the premier sources of foreign exchange in Nepal. Recent years they have been one important avenue of support for family members remaining at home. It seems migrant workers is an effective tool for poverty reduction. Though freeing employment is boon to the economy, the facilities are inadequate to back of the increasing trend of migration.

From this study, it is concluded that, economic condition of the migrant workers is poor. Therefore, they have gone to the foreign country through loan and most of the people spend their earning in repayment of debt. Because of being uneducated and unskilled manpower, they are facing many kinds of problem. There is quite male

dominated society, if so about 100 percent take place by male migrants for foreign employment in the study area.

The use of Remittance depends on the priority placed by the individuals of different uses the size of remittance has not been yet done due to lack of appropriate policy and environment. Finally foreign employment and remittance does not have positive effect only rather negative effect of foreign employment and remittance is equally challenging. Poorer family had been increases their life standard, economics status as well as all aspect of the household. Although there are some negative impact also seems caused by foreign employment or after received remittance.

The advantage of migrant workers goes beyond the immediate monetary gains. The returning migrants increases the social capital through exposure to new technology, ideas, languages and people and produce intangible but important benefits to societies Remittance money represents the most essential of family values : Hard work, thrift, sacrifice and hope for effective use of Remittance money which were lacking during the field survey conducted at various places.

The development potential of remittances can obviously be improved by increasing the total flow of remittances, lowering the transfer costs and offering more attractive investment alternatives. Considering the fact that there are fewer opportunities to work with in the country. The export of Nepalese labor will continue to take an up word trend. This is bound to lead to an upsurge in remittances.

### **6.3 Recommendations**

**From the Present Study Some Recommendations are made as Follows:**

- Most of the migrants of this VDC have gone to foreign employment in unskilled condition. So, they cannot earn more income than skilled workers. So the technical training institution should be established in rural areas and person who wants to go to the foreign employment, should be given training related to the work has to be done in abroad and also the language of migrating country before going to foreign employment.
- Most of the respondents have not utilized their remittance and newly learnt skills at abroad, while returning at homeland, because of lack of technology, non availability of sizeable investment funds and lack of market etc. So, the policy

should make to create good environment and provided sufficient technology as well as market.

- The agent and manpower companies should be responsible until and unless the employees come in motherland.
- The government should be promoting of to motivate to open the foreign employment information center even in rural area. For to get easy information about foreign employment.
- The agreement must be done in Nepalese language. Where by terms and condition should be included and proper of agreement should be taken within him/her selves.
- The government must make new policies to create new employment for youth in a country. Because youth are rapidly leaving the country. It is not better for long term.
- Government should provide the facilities of insurance to the migrant workers for the future uncertainty.
- The government policy should be made to give more opportunities to poor people of rural area as well as provide them funds for foreign employment.
- The government should make secure employment policy for promoting foreign employment.
- Finally one entitled case study of foreign job seekers in Amchok VDC, in Ilam district, which is the important current issue of nation is very significant, while the study is conducted in small size and may not be sufficient to generalize for the whole nation about labour migration and remittance. By this study the researches confident that it will be certainly beneficial to the people of Amchok VDC and side by side for the people of their neighboring VDC as well as Ilam district of the entire country.

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**APPENDIX**

**Questionnaire for Household survey 2011  
Central Department of Economics  
Tribhuvan University  
(For the purpose of M.A. Thesis)  
Inflow of remittance and its utilization in Nepalese Economy  
(A case study of Amchok VDC Ilam)**

**Questionnaire prepares for the households whose members have gone abroad for foreign employment.**

1. Information of interviewer

a. Name:

b. Age:

c. Education:

d. Ward no:

e. Tole:

f. Number of family:

2. Family Background:

Name	Relation with family	Age	Sex	Education	Marital status	occupation	country	Field of employment

Codes: Occupation:

Agriculture =1, Buisson =2, Public services =3, Private Service =4, Cottage industry =5, Wage labour =6, Foreign employment =7, others =8

3. How many members of your family have gone for foreign employment?

No.....

4. Did you\ she \he have any technical skill before going for foreign employment?

a. Yes ( )

b. NO ( )

5. If yes, go to question no 6 in which sector?

.....Yes

6. To what extent, that skill is helpful to your\ she \ he in your\ her\ his recent area of employment in abroad?

.....

7. Why did you\ she\ he go for foreign employment?

Push factors	Pull factors
a. Conflict ( )	a. Employment ( )
b. Family loan burden ( )	b. Better living standard ( )
c. Education ( )	c. Friend ( )
d. Unemployment ( )	d. Attraction salary ( )
e. Other ( )	e. Other ( )

8. Which channel did you \ she\ he used to go for foreign employment?

i. M.P.A. ( )

ii. Local agents ( )

iii. Friend ( )

iv. Relatives ( )

9. How much did you\ she\ he spends to go for foreign employment in during visa fee and preparation cost?

NRS.....

10. What was the source from which you\ she\ he collected money to go for foreign employment?

NO.	Topic	Amount in NRS	Common interest	Rate of interest
1	From own income			
2	Having loan from organized institutions- a. From bank b. Financial institutions c. cooperative			
3	Having loan from unorganized institutions a. Local money lender			

	b. Relatives			
4	From selling various things\ properties			
Total				

11. What is the Expected length of time to repay loan?

.....year.....months

12. Monthly salary remittance inflow and channel of remitting money?

Monthly salary in NRS	Remittance inflow in per year	Channel of remittance money

13. Did you\ she\ he gets over time opportunities?

a. Yes ( ) b. No ( )

14. If yes how many hours per week and remuneration amount of over time ?

..... Hours..... RS

15. How much money can you\ she\he save per month?

..... Money.

16. Area of uses remittance per year\ amount

a. in productive sectors

Area per year	Amount in NRS
Business	
Agriculture	
Education	
Investment	
Total	

b. In unproductive sectors.

Area per Year	Amount in NRs
Clothing	
Loan payment	
Real payment	
Cultural expenses	
Durables consumers Goods	
Food consumption	
Interest payment	
Bank deposit	
Total	

17. If you don't invested remittance income in productive sector what are the reasons behind it? a. Lack of business environment

b. Conflict

c. Lack of market

d. Lack of sufficient capital

e. No idea about business\ investment at all

f. Others

18. If you invested, where have you invested?

.....

19. What is your annual income?

Before going to foreign employment	After going for foreign employment

20.

Total income	Consumption	Saving

21. Effective of remittance in Economic status

a.

Consumption pattern	Before(days in week)	After(days in week)	Amount
Food			Before after
Fruit			
Meat			

b.

Education expenditure	Before	After	Amount	
			Before	After
Private				

c.

Clothing	Amount	
	Before	After

d.

House condition	Before	After	Amount	
			Before	After

e.

Physical Assets	Before	After	Amount	
			Before	After
a. Agriculture\ tools				
b. Vehicles				
c. T.V\ Radio				
d. Telephone				
e. Refrigerator				
f. Landholding				

22.

Saving\ investment	before	After	Amount	
			Before	After
Business investment				
a. Wax factory				
b. Mill				
c. Fancy shop				
d. Hotel				
e. Fishery				
f. Poultry				
g. Others				
Deposit\ Bank balance				
a. Bank				
b. Cooperative				
Investment in capital market				
a. Shares				
b. Bonds				

23.

Loan\ Debt condition	Amount	
	Before	After

24. What should do government for properly utilized of remittance income?

.....

25. In your opinion what is to be done to promote employment in own country?

.....