

**A STUDY ON EXPORT COMPETITIVENESS OF
NEPALESE GARMENT INDUSTRIES**

A Thesis

**Submitted to the Central Department of Economics,
Tribhuvan University, Kirtipur, Kathmandu, Nepal
in Partial Fulfillment of the Requirements for the**

**Degree of
MASTER OF ARTS
in
ECONOMICS**

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March, 2017

TABLE OF CONTENTS

CHAPTER -I		
INTRODUCTION		1
1.1	Background of the Study	1
1.2	Statement of the Problem	3
1.3	Objective of the Study	6
1.4	Significance of the Study	6
1.5	Limitations of the Study	7
1.6	Organization of the Study	7
CHAPTER- II		
REVIEW OF LITERATURE		8
2.1	Conceptual Review	8
2.2	Review of Empirical Studies	9
CHAPTER-III		
RESEARCH METHODOLOGY		17
3.1	Research Design	17
3.2	Nature and Sources of Data	17
3.3	Study Period	17
3.4	Methods of Data Analysis	17
CHAPTER-IV		
INTRODUCTION TO NEPALESE GARMENT INDUSTRIES		18
4.1	Historical Perspective	18
4.2	Institutional Arrangements for Promotion of Garments Industry	19
4.3	Post Multi Fibre Arrangement	24
4.4	Production Process (Piece-Rate System)	28
CHAPTER-V		
TREND AND PATTERN OF READYMADE GARMENT IN NEPAL		33
5.1	Review of Nepalese Ready Made Garment in Post MFA	33
5.1.1	Readymade Garment Export	33
5.1.2	Analysis of Product and Market Mix	36
5.1.3	Nepal in south Asia Under Readymade Garment Export	36
5.2	Some External Challenges of Nepalese RMG in Post MFA	45
5.2.1	The Chinese Domination	45
5.2.2	Pricing-Trend of RMG in Post MFA	47
5.2.3	Tariff and Non-Tariff Barriers in Post MFA	48

5.2.4	Domination of Preferential Trading Arrangements	49
5.3	Internal Bottlenecks of Nepalese RMG after Phasing out Quota System	51
5.3.1	Constraints to Supply Efficiency	51
5.3.2	Inadequate Institutional and Trade Support Services	52
5.3.3	Administrative Complexity	53
5.3.4	Policy Drawbacks	53
5.4	Some Ideas to Build Capacity to Face Post MFA Situation	54
5.4.1	Utilize Market Opportunities Properly	54
5.4.2	Product Innovation and Skill Development	55
5.4.3	Vertical Production and Consolidation of Industry through GPZ	56
5.4.4	Public Private Sector Partnership Approach	58
5.4.5	Prospect of Nepalese Garment Industry	58

CHAPTER-VI

	SUMMARY, CONCLUSION AND RECOMMENDATIONS	59
6.1	Summary	59
6.2	Conclusion	61
6.3	Recommendations	62
	REFERENCES	64

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

The export of trade of Nepalese garment industries play vital role in overall national economic development. By exporting garment to foreign countries, it is possible to increase the foreign exchange. The share of garment export in total export of Nepal has been decreasing. The garment industries have vast potentiality for development as well as to earn foreign exchange with less cost to the country (Upadhyaya, 2013). The industrial output in the under developed countries is estimated to have grown at an average rate of approximately 7 percent in the last 5 years. Nepal is an agrarian based economy and even her farming is in the most primitive form. Her industrial growth is also low. Therefore, she needs a transformation of agrarian economy into a sound industrial economy to accelerate overall total developments. Economic development program of the developing countries like Nepal should incorporate industrialization for transforming the unproductive labour to productive labour (Shrestha, 2011).

Nepalese garment industries have been a major exportable product of Nepal. The major exports of Nepal are carpet, garments, handicraft, medicinal herbs etc. In fact, different kinds of Nepalese garment industries express the culture of the country. Their origin can be traced back to the Stone Age. They can depict such art and culture which are religious in character and symbolic in nature found in different region of Nepal (Shakya, 2013).

Nepalese ready made garments have been known all over the world for its rich art and crafts and architecture for centuries. Each and Every product is unique in it and reflects the arts and skill of the craftsmanship. It is cottage scale and home based industry where traditional techniques and skill have been handed over from generation to generation. USA, UK, Germany, France, the Netherlands, Taiwan, Singapore, Japan, Hong Kong, Canada, Italy and Australia etc. are noted as major markets of Nepalese ready made garments (Shrestha, 2013).

The history of the garment industries is not very old in Nepal. It was initiated only about three decade ago. Although, there were handful only garment traders in the middle 1970's the business really picked up after 1980's. Initially large and medium

scale factories registered in the name of Nepalese were financed by Indian who used to manage everything. Nevertheless, the situation changed gradually and number of Nepalese garments entrepreneurs increased and at present, more than 90 percent of garment factories are overhead and run by Nepalese entrepreneurs (Shrestha, 2010).

The Meteoric rise of the garment industry was brought about by the interplay of various factors, both domestic and foreign. The much needed boost came at a time when garment exporting industries in Asia hit by quota system imposed by importers in Europe and United States of America. This considers with rising labour cost in garment exporting countries undermining their low cost advantages. Producers were forced to look for alternative cheaper locations. Hence, Nepal emerged as a relocation site, especially for Indian producers who and already hit the quota ceiling. They began pouring into Nepal to evade the quota constraints imposed by the US government during the late 1970's. It was then in 1984/85 that the garment can be said to have entered into take off stage in Nepal. The garment industry in Nepal has grown significantly in just decade. The corporate level of development of the entire industry was commenced since 1982/83 (Shrestha, 2011).

This young industry's initiation was very haphazard and with no set policies by the government. Although, this scenario has changed quite lot during the year. The government has set some policies which are deemed friendly to this industry. As a matter of fact, the garment industries flourished during the decade only due to the continuous effort made by the industrialists albeit government policies aimed by developing this sector. Since, the garment industries being export based and have to compete with many countries especially with neighboring countries in the international market. The policies adopted by these countries are bound to have direct impact on garment export of Nepal.

The Nepalese garment sector is in dire straits since the abolition of Multi Fibre Arrangement (MFA) quotas in global textile and clothing trade beginning in 2005. More than expected the impact of the end of MFA regime looks more pronounced in the case of Nepal as has already been marginalized its position by the drastic change in the competitive environment for trade in this sector. The quasi-guaranteed Market access as enjoyed by Nepalese apparels particularly in American Market has gone with complete phase out of quotas. The loss of protected market has prompted garment manufacturers to stop their production in Mass bringing down the number of operating industries to less than twenty from hundred just a year before. Nepal is the

only country in the region whose export to the united states has nose-dived minus 50 percent in the first two months of 2005, compared to the same period of last year. Bangladesh, Sri Lanka are the countries without textile base like Nepal saw their exports increased ranging from 10-20 percent each despite they were also cited likely victims the quota free trade.

One of the reasons to reach this critical situation could be due to the insufficient commitment at the industry and policy level to respond to the foreseen adjustment problems in trade without quota. The industry's capacity to utilize quota is only on a selective items in the past and overall dependent on American Market some how revealed its relevance to product and Market diversification as long as it had the easier and protected market access. The industry's initiative to cut output cost and raise delivery efficiency was largely restrained by the lack of commitments to overcome persistent internal bottleneck. Steps were taken to convert the guaranteed market access in the US into preferential market access at the last moment. But, no adequate efforts were put on to compensate the market share loss the US by diverting export to the market with preference elsewhere. Neither the industry nor the government had substantially looked any concrete measure to exploit, the opportunities in the EU and Canada, which indicated promising sign due to already existing preferential treatment. Taking into account of the performance during the protected regime and assessing the implications of the liberalized trading system, this report takes a stock of the current situation and appraises the external environment in the changed context i.e. post MFA scenario. This report also reviews export trend in post MFA and suggest Nepalese readymade garment traders and export for their sustainable growth.

1.2 Statement of the Problems

The Nepalese ready made garments sectors faces problems relating to production and promotion which affect the future prospect of ready made garments export. Some of the main problems related to the Nepalese ready made garments industries are lack of availability of raw materials, quality control, Product design & Development, Inadequate & irregular production, proper packaging, Publicity & Promotional measures, Training Program, Market research, Skilled craftsmen and technology are lacking, Problem of inadequate infrastructure, Government Policies, Facility through legislation and lack of incentives.

Despite more than 50 years of development effort, Nepalese economy has not become dynamic and vibrant. Still Nepalese economy is basically subsistence economy, economic activities are also slow and low. Due to high dependence in agriculture, Nepal's exports are confined to raw materials and primary products with little advancement. About, 75 percent of population is dependent on agriculture. Despite this high dependency in agricultural sector, the contribution of agricultural sector to GDP is 36 percent. Development of non-agriculture sector is very slow and low. Massive increase in import of costly manufacturing items and decreasing trends of export has been led to widening of trade deficit (Shrestha, 2013).

There is problem of trade diversification, both for country wise and commodity wise. Nepal's main trading partner is India, as almost 50 percent of trade is confined to India only. Trade treaties between the two countries, signed at different years, have governed Nepal's trade with India. Nepal faces the problem of widening trade deficit with India. Although Nepalese products are theoretically allowed unhindered entry into the Indian markets, if they bear the certificate of origin issued by FNCCI, but there are problems in implementation. In view all these, it is felt important to study Nepalese garments export focusing on its problems and prospects during different periods.

Nepalese foreign trade has increased considerably but there has been import-dominating tendency over export, showing permanent trade deficit. Due to the huge trade deficit, Nepal is near to fall into dept trap. Due to the dominant role of agriculture in Nepal's economy, we still have an agriculture outlook, the farmer tilled the land, planted his seed, transplanted the seeding, ensured adequate water and at the end of 4 months reaped the harvest, the rest of the year, he remained idle. Garments can provide supplemental earning during winter season in the farm areas. More than 500,000 persons are involved directly or indirectly in ready made garments business. The export promotion of Nepalese ready made garments can play vital role in diversifying the export trade of Nepal (Shrestha, 2013).

However, the balance of payment deficit can be lessened to a great extent by the Promotion of Nepalese ready made garments export to overseas countries. Nepalese ready made garments business covers a share in the international market but only by few item or market covered by ready made garments goods of Nepal. It is the

Nepalese ready made garments which can share favorably in foreign markets. So, the promotion of Nepalese ready made garments export is necessary in order to control the international market. The volume of imports is increasing while the export isn't so increased. So to meet the growing needs of import, the export promotion of Nepalese ready made garments is of great importance.

With the complete elimination of the quotas the competitive environment of Nepalese garment exporters have changed drastically. In this period, the export-oriented Nepalese garment industries one facing arduous adjustment problems. New scenario is there that the production and trade in this sector would be determined by the reallocation of economic resources under market forces, rather than protected by quota system. This will create a more complex and competitive situation for the garment manufacturers and traders to adopt new regime which is without quotas, but not with tariffs and other trade barriers.

Both external and internal problems are there in post MFA regime for the garment manufacturers and traders. External environment includes such difficulties like Chinese domination in Foreign Market, tariff and non-tariff barriers. Similarly, low productivity and higher transaction cost, inadequate institutions and trade support services, administrative complexity to developing backwards linkages are the persistent internal bottlenecks and implementation problems.

With these perspective, the study overviews the structure of post MFA era, analyses problems and prospects regarding preferential and non-preferential, Market access opportunities, product diversification and policy implementation difficulties, which are the major problems of this study. The research questions are:

- i) What is the overview of garment industries in Nepal?
- ii) What is the trend and pattern of export garments industries?

1.3 Objectives of the Study

The major objectives of this study are to find out the export competitiveness of Nepalese garment industries and to overview the garment industries in Nepal. The specific objectives of the study are:

- i) To provide the overview of garment industries in Nepal
- ii) To analyze the trend and pattern of export garments industries.

1.4 Significance of the Study

Since the Nepalese ready made garment industries contributes more foreign exchange for the balance of payment of the nation, some tangible research study is always needed to be conducted in this field. From both employment opportunities as well as foreign exchange earning for nation, Nepalese ready made garment industry's importance can't be overemphasized. Because this industry orients employment, production and promotion of export in the agro based Nepalese economy, it becomes essential to manage this industry for its development and enlargement (expansion). For this purpose some integrated research based study is always essential.

To make the backbone of our economy stronger, more is expected from the Nepalese ready made garment industry and it is obvious that more importance should be given for the protection and further nourishment of the industry, specially with reference to its export side so that more foreign exchange can be earned to fulfill the gap regarding the deficit in balance of payment. This fact further makes obvious the importance of this study.

The quota system was phased out at the beginning of 2005. With the phase out of quotas there had been free trade in textile and clothing. This changes in international trade is advantageous to capable developing countries like India Pakistan, China etc. But for countries like Nepal it becomes new entrant in the global clothing trading having no competitive edge.

Besides these, the study may be a references matter for new inventors, market planners and other researchers to know the present situation of garment industry in Nepal. Anyway, this study can provide valuable insight and reference to the scholars who are interested in conducting further research on the field of garment industry.

1.5 Limitations of the Study

This study has following limitations:

- i) Instead of overall trade of export and imports, this study only deals with export trend of ready made garment.
- ii) The study period covers from 2009/10 to 2013/14 due to unavailability of data in disaggregated form.
- iii) Domestic market of the Nepalese ready made garment is not taken into

consideration by the study and only export has been analyzed.

1.6 Organization of the Study

The research study has been organized into six chapters which are as follows. The first chapter deals about the introduction that includes background of the study, significance of the study, statement of the problem, objectives of the study, significance, limitation of the study and organization of the study. The second chapter deals with review of literature. This chapter includes conceptual & empirical review and other reference materials such as journal and magazines. The third chapter deals about research methodology. This chapter includes research design, nature and sources of data, data collection procedure, data processing, analyzing and presentation. The fourth chapter deals with introduction to Nepalese Garment Industries. The fifth chapter is the pivotal chapter of this study. This chapter deals with the trend and pattern of readymade garment in Nepal. The sixth chapter is the last chapter of the study. In this section summary of the study is presented. Based on those finding, conclusions and recommendation of the study are made. The bibliography and appendix has been presented at the end of this study.

CHAPTER - II

REVIEW OF LITERATURE

2.1 Conceptual Review

Clothing in Nepal, in the past days done by a group of people known as “Damai” a tailoring caste group and “Sujikar” a professional group of Newar community. But, both of them had their own determination in the area of work. The profitable sides of this division always belonged to the sujikar, as they used to stay and run their business activities in the urban areas or in the neighbourhood of well to do family. On the other hand, the Damai lived in the area of scarcity and poverty and continued their business for livelihood. By passing of time, the preference of the people from home tailored garments had changed with the increasing trend of readymade garment imported in the country (Shrestha, 2013).

The history of garment industry is not very old. It was initiated about three decade ago. Garment industry started in early 1980's in Nepal. Though there were handful of garment traders in middle of 1970's the business really picked up significantly after 1980's. The main reason for the growth of the garment industry in Nepal is attributed to the Indian entrepreneurs who shifted their enterprises in Nepal where they were closed down in India after United State of America imposed quota on imports of readymade garment from India. This induced many Indian garment entrepreneurs (investors) to come to Nepal especially to Kathmandu, with the intension of utilizing the unused quota of garments provided to Nepal. Kathmandu, in this context, proved to be virgin for them because there was no competition from the local entrepreneurs. Furthermore, there was no hard currency problems, no need of passport and visa and no problem of importing raw materials and workers as they were supplied to Nepalese garment industry by their Indian partners. Garment products were shipped to the United States with “Made in Nepal” label. This was privilege for Indian entrepreneurs, as they could use both quota and non quota facilities provided by the USA to Nepal. Gradually, many other Nepalese entrepreneurs were attracted to this industry because of export potential and started to industry on their own capacity. However, some of them simply registered the industries in their home to enjoy quota premiums by offering partnership with the Indian businessmen.

2.2 Review of Empirical Studies

NPEDS (2007) study on the garment industry in Nepal and presents the status of the RMGs manufacturing sector and highlights industry performance relative to export aspect. The study concluded that 757 industries are in operation based on quota allocation, with 538 industries, which are engaged in exporting till August 8, 1993. The capacity utilization of the RMG industry in 1990/91 was 51.67 percent up from 37.93 percent in 1989/90. The average earning per employee is \$630, which is 3.7 times more, the per capita income of Nepalese people at 170 US \$. The value added of the industry is reported to be about 50 percent (sources: ECO News, USAID, March 9, 1993). The share of RMG exports in total overseas export has decreased from 45.59% in 1985/86 to 24.6% in 1992/93, due to the increasing exports of woolen carpets. United State of America is the major destination with 92.27 share in quantity and 92.53% share in value of exports in 1990/91. The performance of the sector, with regard to fulfillment of allocated quota for USA, has increased with utilization rate up from 45.2% in 1991 to 72% in 1992. Considering the high quota utilization on one hand and low capacity utilization of the sector on other, quota expansion is now necessity, if Nepal is to attain high economic benefits.

Pokhrel (2010) study on Readymade Garments: A study of export performance in USA under quota arrangement, and concluded that USA is the major destination with 90.6 percent in value of export in 1993/94. The US holds second position among the major trading Partners of Nepal in export. The USA imposes Quota restriction on the import of seven categories of RMGs exported from Nepal. The first imposition was on category 337 in 1985 and the recent imposition is on category 336-636 in effect from Jan. 1, 1995. Finally, the study recommends for increasing exports and consequently production of garments. There should be availability of raw materials at internationally competitive rate, establishment of new bonded warehouses in all the exporting countries and improvement in the existing warehouse, which facilitates easiness and regulate supply of major inputs etc.

Adhikari (2011) concluded that USA is the major importer of Nepalese readymade garment with 90 percent of share. The integration of MFA in the WTO can result in significant net trade wins for developing countries including Nepal. Elimination of the MFA, trade in textiles and clothing products would tend gravitate back to large exporters LDC like Nepal might face some problems string in business. Before integration into MFA, Nepalese government has to improve its comparative

competitiveness among other competitors. The number of registered industries are decreased 1400 (1995) to only 300 units out of them only 70-80 units are running its business regularly. Nepalese garment industry actually has a good prospects. However government has to form various proper policies regarding garment industry.

Budhathoki (2012) study on present situation of readymade garments industries in Kathmandu valley and had concluded following points. The industry is primarily based on imported raw materials fabrics, thread, machine and other accessories are imported from India, Pakistan, china and other third countries Domestic raw material can not meet the requirement. The international Market for readymade garment is unlimited. However, Nepal exports only 28 countries. Among them, Nepalese readymade garment had made special recognition in USA which holds exactly. 90% share of total export and out of the share goes to other countries.

Budhathoki (2012) also mentioned that in the boom period of readymade garment industry, about 1553 units were registered. However, at present only 212 units are registered at register only 50-60 units one in operation. Among them 90% units are located in Kathmandu valley. Production and sales of readymade garment product in present days in very unsatisfactory due to lack of unavailable order size. Nepal produces both cotton and rayon garments but cotton garment has dominated the other garments. Loan and other banking facilities are not so satisfactory and sufficient. Nepalese businessmen make sales by using either Indian agent or direct contact but direct contact with entire buyer is very poor. Most of the garment industries use piece rate, daily wage and monthly system for playing in garment production. However piece rate system is very popular among them. Most of the employees do not feel job security and do not support hire and fire employment policy. Most of the industries do not have labour union. However, some large scale industries consist labour union. The unions have been found doing lots of welfare function or activities. The USA has provided quota free and duty free access. Caribbean and sub- Saharan 48 countries with per capital income below US 1500. However, Nepal is getting such the facility. That's why Nepalese export is decreasing since 2001. EU has announced GSP (General system of preference) to the less developed countries. The EU role of origin requires that garment must be from improved Yam not when frabric on the other hand there is no quota restriction in EEC export market for Nepalese garment. On the region wise comparison, Nepalese's garment industry has less competitive capacity cost of production is 20.25% higher than other SAARC nations and quota provided by

USA is low, with comparing Bangladesh, Srilanka and Pakistan. Quota system will be abolished and the basis of MFA in 2004. The implication will not be positive. It is certain that there should be increased comparativeness in garment sectors. In fiscal year 2005/2006 there was sudden decrease in the export of garment from Nepal in 2004/2005 the export amount was 12.7 billion. However in 2006/2007 it was decreased in 11.4 billion.

Shakya (2013) study on prospects of Developing garment, handicraft and curious industry in Nepal and gave a lot of suggestions on the promotion of garment and handicrafts export. His main focus was on the artisans' side of the industry.

According to Mr. Shakya artisans have been exploited by the exporters and the collectors of garments. He was right in this point up to the year 1984. But this is not true in present situation when the artisan have been taking full benefits of their skills. Moreover, the highly skilled artisans want unnecessary benefits because of monopoly skill. This has increased the wage of artisans more than two times within years. He has also shown the problem of unavailability of raw materials.

Shrestha (2013) study on the export promotion of Nepalese Handicraft and found more than necessary problems but he didn't try to find out the main problem of this industry, his main focus on the promotion side of export trade. His finding with regards to the promotion of handicrafts is, however, important for the betterment of this industry.

Shrestha highlighted the following fact. Nepal should identify new market for market segmentation, heavy market campaign is necessary. Market promotion can be conducted via different media, newspaper, trade fairs etc for the export promotion of handicraft items. Entrepreneurs should consider the quality aspects therefore in the process of production quality control should be done. Government should develop export trade, transit facility and should act as a facilitator to promote handicraft in overseas countries. Export of Nepalese woolen carpet is in increasing trend but diversification of export is very essential. For this marketing activity should be conducted such as market research, promotion.

Pokharel (2013) study on Nepalese handmade paper and garment products and highlighted the following things. He pointed that there is the problem of the international market expansion for handicraft goods. New international market needs to be explored and identified and for it technical know how is very essential. There is a need of financial support from the government, private sectors, INGO and NGO in

order to participate in the international fair trade for promoting the Nepalese handicraft.

Basnyat (2013) focused on right policies have to be formulated to compete with foreign goods. The study suggested that the appropriate program should be lunched to modernize the traditional indigenous techniques that are to be ascertained are slowly disappearing. Despite some advantages of handicrafts, the technology used in such industries is of subsistence nature and fails to maintain equality and costs at desired levels. Consequently, such industries are unable to compete with foreign goods and the isolation and stagnation of ideas, in addition to the tendency of the inhabitants living near the Indian border to depend on the Indian market for goods, hindered technological advances. It is too late to bring in suitable and low cost technology and familiarize entrepreneurs with it. The flow of Indian goods has a negative impact on the handicraft business in Kathmandu because over seventy- five percent of the handicraft goods available in the market are Indian ones. In the past, there were only Nepalese handicrafts products in the markets but nowadays, duplication of Indian goods are found everywhere. This has adversely affected our handicraft goods.

At last, he expressed that the handicraft business may virtually collapse if necessary steps are not taken to increase the number of tourists in our country. Apart from this, the highly potential handicraft needs to be given high priority for its development. In this context, right policies have to be formulated.

In this regard, the government's commitment to promote industries that produce handicrafts comes as a great relief, especially to those who have spent many years in the profession that is facing hard time for survival. In order to encourage the entrepreneurs and produce skilled human resources in this sector, the government in cooperation with the private sector needs to launch some concrete program such as establishing training centers and providing loans at low rates.

Upadhyaya (2013) pointed out that Nepal should given more emphasis in the products design because the products, which are functional, which could change the design and pattern according the current fashion, have better prospects. For example, in the fiscal year 1993/1994, the export under the heading Ethnic Garments that included, Pashmina, woolen goods and other textile was just around 217.65 million. But by the year 2001/2002, even though this heading was splited into 4 heading viz. Pashmina, woolen goods, ethnic garments and other textiles the export under each heading

maintained 1412.88 million, 207.88 million, 71.20 million, 11.76 million respectively. This was a tremendous success. The handmade paper can also be cited here, the export of which was 25.36 million in 1993/1994 and it reached 242.86 million in 2001/2002.

The study added that as long as people were buying handicrafts as souvenir and for their own collection, its quality, style and functionality never had been a big issue. But, as our customers were buying it from us for their customers, they became more and more concerned about it. Obviously, to be competitive and to succeed, they had to take so many things into account. Basically, it is the quality, the price and service that make the product competitive. Within the quality comes the design. Design is the intended arrangement of materials to produce a certain result or effect. However, only the properly designed products are considered among the good quality products. To be a good design, it also has got to be functional and /or compatible with the kind of market that we are approaching to.

Kathuria (2013) analyzed the status and problems of handicrafts export in India and also effect of price and non-price factors in India's handicrafts export. The study explored selected price and non-price factors in international trade in handicrafts. Although the focus is on India, the analysis necessarily involves a study of more general issues, such as barriers to trade and the world market for handicrafts. Even when the data analysed are specifically Indian, as in the case of transport costs and the trading network, the lessons are generalisable. The economic potential of handicrafts production is demonstrated in the increasing alienation between man and machine, wherein man is actively seeking to enliven his often dull and stereotyped environment by surrounding himself with objects of beauty. Part evidence for this phenomenon is reflected in an increasing share in world trade of 'traditional and small-scale culture goods'. For example, Ho and Huddle found that these goods in international trade have an income elasticity of well over one, and that this high income elasticity is correlated with high labour content. Findings like the above are encouraging for developing countries that are seeking to productively employ large numbers of skilled and semi-skilled craftsmen. A significant fraction of this labour force often caters to the export sector since many of the products made are 'rich man's goods'. This means that there are dual benefits to the economy in the shape of foreign exchange earnings as well as employment generation. In this study, as stated in the title, the focus would be on export and demand issues. The study assesses the performance of Indian handicrafts

on the world market, and attempt to draw lessons for policy. It is found that policy makers and researchers from other developing countries would also benefit from this exercise since many of the problems and concerns are applicable to their situations as well. In any case, some of the discussions like, on the world market, and on tariff preferences is of a general nature and is of equal value to all developing countries.

Bhushan and Towseef (2014) analyzed the status of handicrafts export of India with economic analysis. The study found that India is one among the culturally rich countries in the world. The country is fortunate enough to possess some highly skilled artisans. They have increased the fame of Indian handicrafts around the globe. The Indian handicrafts industry is highly labour intensive, cottage based and decentralized industry. It plays a significant & important role in the country's economy. The crafts of India are diverse, rich in history and religion. The aesthetics of each state in India reflect the influence of different empires. Throughout centuries, crafts have been rooted as a culture and tradition within communities of India. Indian handicraft earns well from its exports and also the subject for global exhibitions representing India. Handicrafts industry is an industry where machine does not dominate and it's much decentralized structure prevents the exploitation by a capitalist tycoon sitting far away, controlling production and people. Crafts, by their very nature, are not mass produced. But if people are working with their hands, albeit with the assistance of tools and machines, producing goods required in a wide market space, selling to make profits and thereby contributing to national wealth, crafts can be termed as a decentralized creative industry where human mind and hand is more important than small machines and tools they may use. There is, therefore, a world of industry without industrialization in the traditional sense, and there is both sufficient scope and need for this to come out of the disorganized, diminishing and low-end profile that it has been carrying for long. One of the very interesting developments taken place during the last few years has been the growth in exports of handicrafts from India to China. Indian hand-made items are in more demand than mostly machine-made Chinese products in metal ware, art ware, giftware and wood craft categories. This indicates that Indian "handmade" handicraft products are gaining demand in the global market, including China.

The Indian Handicraft industry is so widely scattered all over the country with a dominance of small and tiny units, apart from this Indian handicrafts showing the trend of growth in its export. This sector is important for the economy due to its

employment generation, foreign exchange earnings and vast untapped export potential. Most famous handicraft manufacturing states include Saharanpur, Rajasthan, Karnataka, Tamilnadu and Kashmir. India's share in the world handicraft market is a dismal 2% as compared to China which claims 17% of the world market share. A recent study by the EXIM Bank recommends that the handicraft sector needs to be given an industry status so that a mechanized, modern segment will emerge to face the global competition. This is the most fundamental step which boosts Indian handicrafts in international market. Once India recognizes the potential of handicrafts it can lead the whole market. For that we have to improve our technology and tools to make handicraft more popular in the whole world.

Singh and Sumbul (2015) analyzed the role of handicraft sector in the economic development of Uttar Pradesh. The study analyzed about the handicraft sector, economic zones, untapped growth, artistic, tourism and employment. The study found that handicraft sector is one of the emerging sectors playing a very important role in the economic development of Uttar Pradesh. The country full of colors has great opportunities in the economic growth and development as each and every one has the capacity as well as the capability to do something creative by his or her inherent talent. India is also known for its great contribution towards exports from the handicraft sector towards the foreign world.

The growth potential of U.P. is that it is one of the fastest developing states in India and how handicraft sector possesses opportunities which can help in the economic development of the state and therefore it requires a great amount of support from the government to be fully equipped and developed. Since this sector is labour intensive, it gives a great deal of employment opportunities as well as key to further enhancement of living standard and thus bringing in more positive impact on economic development of the state. In order to boost up the exports of handicrafts from U.P. the government has set up special economic zones. Therefore this paper is an attempt to look into the emerging opportunities for growth through this sector in Uttar Pradesh and what measures could be taken upon so as to tap the untapped growth in the sector.

Many large scales as well as small scale industries are located in Uttar Pradesh forming an important segment in the state. Recently it has been stated that MSME (Micro, Small and Medium Enterprises) is the life blood of U.P.'s industrial economy. MSME sector has emerged as one of the most potential sector in terms of growth and

development with great opportunity of employment, export, foreign exchange earnings, rural upliftment, reducing regional imbalances and last but not the least equitable distribution of national income and wealth. The state has 44.03 lakh enterprises (including both registered and unregistered), which has simultaneously provided employment to 92.36 lakh people (both in registered and unregistered enterprises) and has been the leading state both in terms of enterprises and employment.

From all the preceding review of literature, it is come to know that researchers and scholars have analyzed many aspects of garment sectors. Most of the studies are related to the pre MFA period. So, it is realized that the Nepalese readymade garment study in post MFA era is essential to bring out some indigents in this field. The present study is an endeavour to present Nepalese readymade garment after phasing out quotas regime. This study has outlined major issues in textile trade without quotas and found out persistent internal bottlenecks and implementation problems assisting with capacity building to face post MFA situation.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter focuses study on methodology of export competitiveness of Nepalese garment industries. So to attain the objectives research methodology is give below:

3.1 Research Design

The research design opted for the study is basically descriptive one. Data and information required for the study has been collected evaluated and analyzed systematically to arrive at a certain conclusion.

3.2 Nature and Source of Data

Data has been collected from official publication of different magazines, policy of government, economic surveys, budget speeches, various books, and previous studies made in these fields. The data area quantitative in nature. Secondary data and information has been collected from different sources such as Nepal Rastra Bank (NRB), Garment Association of Nepal (GAN), Federation of Nepal Chamber of Commerce and Industry (FNCCI) Trade and Export Promotion Center (TEPC), Nepal Chamber of Commerce (NCC) Department of Small and Cottage Industry, Department of Custom, Articles Bulletins published in different newspaper.

3.3 Study Period

For study purpose of data from F/Y 2009/10 to 2013/14 has been taken as study period. The reason for choosing this study period is that this study period is post quota phase- out period of ready made garment export of USA.

3.4 Methods of Data Analysis

After collection the data they are classified and tabulated according to their attributes like trend and structure of readymade garment, Nepal in south Asia under RMG Export etc. Recent and latest data has been incorporated. Since the study is descriptive type statistical tools such as percentage ratio, percentage change (increase/decrease) has been used for data analysis.

CHAPTER - IV

INTRODUCTION TO NEPALESE GARMENT INDUSTRIES

4.1 Historical Perspective

The history of the garment industries is not very old in Nepal. Nepalese ready made garment industry was a major exportable product of Nepal in past twenty years. In fact, different kinds of Nepalese ready made garment industry express the culture of the country. Their origin can be traced back to the Stone Age. They can depict such art and culture which are religious in character and symbolic in nature found in different region of Nepal. Initially large and medium scale factories registered in the name of Nepalese were financed by Indian who used to manage everything.

Nevertheless, the situation changed gradually and number of Nepalese garments entrepreneurs increased and at present, more than 90 percent of garment factories are overhead and run by Nepalese entrepreneurs (Shrestha, 2010).

The Meteoric rise of the garment industry was brought about by the interplay of various factors, both domestic and foreign. The much needed boost came at a time when garment exporting industries in Asia hit by quota system imposed by importers in Europe and United States of America. This considers with rising labour cost in garment exporting countries undermining their low cost advantages. Producers were forced to look for alternative cheaper locations. Hence, Nepal emerged as a relocation site, especially for Indian producers who already hit the quota ceiling. They began pouring into Nepal to evade the quota constraints imposed by the US government during the late 1970's (Shrestha, 2011).

The government has set some policies which are deemed friendly to this industry. As a matter of fact, the garment industries flourished during the decade only due to the continuous effort made by the industrialists albeit government policies aimed by developing this sector. Since, the garment industries being export based and have to compete with many countries especially with neighboring countries in the international market. The policies adopted by these countries are bound to have direct impact on garment export of Nepal.

4.2 Institutional Arrangements for Promotion of Garments Industry

All the country of the world have opted for some or the other institutions, which shall be responsible for the development and promotion of the garmentss. These institutions are responsible for the policy decisions for their garments items. They are as follows,

1. International Trade Center:- The International Trade Center CTAD/GATT(ITC) is the focal point in the united Nation system for technical Co-operation with developing countries in trade promotion. ITC was created by the general agreement on Tariffs and Trade (GATT) in 1964 and since 1968 has been operated jointly by GATT and UN, the latter acting through the United Nation Conference on Trade and Development Program (UNDP). ITC is directly responsible for implementing UNDP - financed projects in developing countries related to trade promotion.

ITC works with developing countries to set up effective national trade promotion program for expanding their exports and improving their operations. One aspect of this activity is advising governments on their national trade promotion strategies, institutions and services. ITC also provides market development services aimed at identifying new export opportunities, adapting products for sale abroad and promoting these goods on the international market. Such work is undertaken for both non-traditional exports of developing countries and selected primary commodities. ITC's special services to backup these export marketing efforts include advice on export packaging, quality control, costing and pricing, publicity, trade information, export financing, institutional requirements for trade promotion, legal aspects of foreign trade, joint marketing for small and medium size firms and official commercial representation aboard. ITC also works with import management organizations to improve their import operations and techniques. Training is organized by ITC on broad range of export and import subjects. In addition to these main areas, ITC's program deals with the special trade promotion needs of the least developed countries and trade promotion activities of national chamber of commerce and other business organizations.

ITC's technical co-operation projects are carried out in all developing area at the national, regional and inter-regional levels. They are administered from ITC headquarters in Geneva and are implemented by ITC experts. In addition to project support, ITC headquarters' activities consist of research and development on trade promotion and international marketing.

Financing for ITC's technical co-operation activities in developing countries comes from UNDP (United Nation Development program), international financing institutions and individual developed and developing countries. Its headquarters budget is funded in equal parts by GATT and the UN (International Trade Center, 1991)

2. Garments Association of Nepal: - Garments association of Nepal was established in 1971 to enhance and to promote Garments trade and industry. It was registered under institution Registration act of Nepal. As a service oriented non-profitable organization of private sector business and artisan community, it helps its members improve their productivity, explore market and introduce them to the international arena. It also works as liaison between its members and the Government/three branches within Nepal.

Aims and Objectives

- To work towards steady growth of Garments trade and Industry.
- To encourage Nepalese artisans to adopt Garments production as their profession by reserving Nepalese cultural heritage and to popularize it in the world.
- To provide pragmatic suggestion and advice to Nepal Government and its related agencies to formulate Policy/Programs for the betterment of Garments trade and Industry.
- To popularize and promote Garments products.
- To strive towards enhancing the quality of Garments goods and its productivity.

Activities

To attain its aims and objectives, the association has been undertaking the following activities.

- Organize seminars, symposiums and conferences various topics relevant to strengthening of the Garments trade industry.
- Explore additional markets for the Garments products.
- Organize exhibition and trade fair to highlight Garments products and create public awareness in its usage.

- Activate and increase contacts with National and international agencies for the growth of Garments trade industry.
- Institute award in recognition of highest export and best Garments products.
- Arrange participation in international trade fairs and organize exhibitions for its members.
- Publication of news bulletins, books, catalogues, directory and the materials relevant to Garments trade and industry.
- Act as catalytic agent for management of training program for the benefit of its members.
- Issuance of valuation certificate for Garments products.
- Certification of products made from the parts of domestic animals.
- Documentation & Dissemination of information regarding garments trade and industry (GAN, 2005).

3. Trade and Export Promotion Center:- Trade and Export Promotion Center (TEPC) is a national trade promotion organization of the country established in 1971 under the Nepal development Board Act 1956. It is a non-profit making and focal organization of the promotion of foreign trade in general and export trade in particular. To develop and strengthen the export trade of the country, the center has been doing various activities since its establishment. Furthermore, to facilitate the small and medium entrepreneurs in international trade by making them more competitive and giving them access to advanced information and telecommunication technology and network, the center has joined the trade point Program of UNCTAD and launched Himalayan Trade Point Kathmandu under the joint coordination of the center and Federation of Nepal Cottage and Small Industries.

Principal Functions:

- Undertake export promotion activities to boost export trade
- Assist the Government in formation and implementation of national trade policy, including export promotion strategies.
- Undertake research activities for export product feasibility, export promotion and market access.
- Coordinate national product development and product adaptation.
- Design and develop effective trade infrastructure conducive to export trade.

- Maintain liaison with trade related international organizations.
- Coordinate and assist business enterprises for their participation in expansion of export trade of the country.
- Act as a catalyst agent between Government and exporters.
- Develop export awareness and entrepreneurship among the business communities.

Services:

- Product survey for identification, adaptation and development of export product.
- Market research and export marketing promotion.
- Develop the export consciousness and entrepreneurship among the business community.
- Conduct training, seminar and workshop to facilitate the exporters.
- Organize buyer seller meeting and entertain trade opportunity.
- Provide trade information and counseling services.
- Publication and publicity for export trade development.
- Compile, analyze and disseminate the overseas trade statistics.
- Maintain professional link with national and international trade and business related organizations.
- Provide trade facilitation service (TEPC, 2005).

4. Export Promotion Board:- EPB constituted in December 1995 under the Chairmanship of the Commerce Minister. It supports product development and export promotion program with a view to improving the balance of trade position.

The EPB encourages export promotion schemes such as product development, product diversification and quality improvement projects through various implementing agencies such as Government undertakings, FNCCI, FNCSI, commodity Associations, Bi- national Chamber of Commerce and other Organization particularly engaged in export promotion. Further, the Board provides assistance for developing export-related infrastructure, conducting market study and research, organizing training and trade fair and participation in trade fairs at home and abroad.

Policies and Activities

The EPB policies basically cover the following activities:

- Preparation of long –term strategy and export perspective plan.
- Implement of program related to product development.
- Improvement of Quality of the export products.
- Stabilization of export.
- Diversification of export.
- Development of infrastructure for export and
- Recognition source and honor of good performers.

5. Federation of Nepal Cottage and Small Industries:- Federation of Nepal Cottage and small Industries (FNCSI) is a member based non- profit organization established in 1990 as the movement of the cottage and small entrepreneurs in Nepal. It is an autonomous, non- government umbrella organization for cottage and small industries. As a single organization to lead CSI sector in Nepal, it also leads micro industries. Main objective of the FNCSI is to contribute to the overall development of cottage and small industries (CSI) sector in Nepal by uniting cottage and small entrepreneurs into a national organizational framework, providing business information, promoting industrial relations, promoting and enhancing entrepreneurship as well as their capacity through of lobbying and advocacy with larger voice.

FNCSI spreads in 68 districts out of 75 district of Nepal. It has a central women entrepreneurs committee with 46 district committee. It has total industrial members of 28,000 including 6,500 women members (TEPC, 2005).

4.3 Post Multi Fibre Arrangement

During the Multi Fibre Arrangement [MFA] period Nepali apparel products which were enjoying free market access to American market prior to quota termination, has witnessed a decline of 30 percent in 2004.

After the United States of America announced the termination of MFA that elapsed the quota system on exports to US effective from January 1, 2005. The situation became worse. Termination of MFA was as per the world trade organization (WTO) agreement on “ Textile and clothing”. Garment export to America decrease by 46.5% in January 2005.

Having acquired WTO membership Nepal has to compete with other countries in the world, there is necessity to increase the quality to be able to survive. Not only in terms of quality but in terms of price also Nepal has to outdo other countries, which is a great challenge. Due to this, large numbers of garment industries have closed down. According to 1995 data, there were 323 industries operating which in 2005 has declined to 155

Readymade garment export dominates the total export of Nepal by one third and employs around 50,000 workers directly.

Not only this but due to the 90 days accounting as the lead time (data from confirmation order to delivery data) from the previous 120 days has also created a problem because for Nepal acquiring raw materials takes almost half of the time. “Not only this, but also the wrong message about the conflicts situation of our country has led buyers not to take risk” says Prashant Kumar Pokharel, 1st vice president of garment Association of Nepal (GAN).

Compared to last year, readymade Garment export to USA has decreased by 48% in the month of October this year. It is observed that few countries like China, India are benefited from this arrangement. Pokhrel remarked that, “Due to quota system removal, we are not in priority list of buyers abroad. Whoever has developed good PR with them are only ones Surviving”

A deal to limit the export of Chinese textile and apparel to the united states (US), reached between Washington and Beijing in 2005, came into effect from January 1,2006. The deal provides for a progressive increase in Chinese imports until 2008 but would still cap their growth at for less than seen in 2005. Some imports such as cotton trousers had surged buy more than 1000 percent. The deal covers more than US and 5 billion worth of Chinese imports and could help shore up the US textiles industry that has lost nearly 4,00,000 jobs since 2001, in part due to fierce Chinese competition. For apparel categories, it provides for annual growth rates in Chinese exports of 10 percent in 2006, 12.5% in 2007 and 15% in 2008. Chinese textiles export accelerated in 2005 after phasing out quotas since 1 January 2005.

Asia’s textiles and clothing (T and C) industry is coping well since the ending of the global quota system at the start of 2005, according to Asia Development Bank’s (ADB).

It was feared that Asia’s T and C industry would collapse following the abolition of agreement on textile and clothing (ATC) on January 1,2005 under world Trade

organization (WTO) rules. One of the biggest fears among T and C producers in developing and least developed countries was that china would dominate world markets, a claim that has proven to be unfounded due to mechanisms to control Chinese exports as well as the competitiveness of smaller developing economies in the wake of intensified competition. China's T and C exports to the European union (EU) and the United States (US) rose sharply in the first quarter of 2005 but then eased back under safe guard agreements limiting export surges from the Asian economic giants.

The report states that marginal Asian and pacific developing country suppliers along with former large quotas holders such as Hong Kong, Korea and Taiwan Witnessed erosion of their market shares in the EU and the US. The combined US market share of the latter three countries declined from 9.7% in 2004 to 6.1% in 2005 (in volume) and from 11.4% in 2004 to 8.4% in 2005 (in value). Other competitive Asian suppliers such as Bangladesh, Cambodia, India, Indonesia, Pakistan, Sri-Lanka and Vietnam have done relatively well. Their combined US market share rose to 24 percent from 23% in volume and to 22.7% in value in 2005 compared to 2004. The report states that in the short term, china may lose some of the rapid gains it made in market share in 2005 as many Asian suppliers are witnessing an increase in their exports. Despite the safeguarded quotas china is the world's leading Producer and exporter of clothing with 30 percent of EU and 25 percent of the US market shares.

Doha Development Agenda

Cotton

The ministerial declaration calls upon developed members to eliminate all forms of cotton export subsidies by 2006. It also states that developed member will also provide duty free access to cotton exports from the least developed country (LDC) members from the commencement of the implementation period. It is not clear that how the LDC cotton producers would benefit as the Declaration does not address other forms of domestic support being provided by developed members.

Non -Agricultural market Access

With regard to industrial goods liberalization under the non- agricultural market access (NAMA) framework, DDA state that "Negotiations shall aim at reducing or appropriate eliminating tariffs, including the reduction or elimination of tariff peaks,

high tariffs and tariff escalation, in particular on products of export in interest to developing countries.”

Members are searching an industrial market access formula that would meet the above objectives. Developed members have, on average, an industrial tariff of 4 percent but have erected tariff peaks on most developing country exports. Developing members have high overall tariffs on industrial products both from developed members and among themselves. Developing members argue they should be provided the same policy flexibility. An agreed formula out to recognize the necessity of allowing developing member of peruse industrialization with out being hindered with commitments to undertake comprehensive lowering of tariffs.

As in agriculture, 30 April 2006 is the deadline for arriving at modalities in NAMA.

In Hong Kong, Members agreed to adopt the Swiss formula' with a limited number of coefficient, for reducing industrial tariff with the find tariff linked with the initial tariff through a single coefficient. Coefficient. However this will result in higher *Cuts* to higher tariffs implying greater adjustment on the part of developing members.

While developed members will be required to cut their tariffs marginally, developing ones will have to cut them by larger margins. Negotiations have not reached agreement on different coefficients for developed and developing members, considering the differential in their tariff structure. Developing member have proposed that each member's coefficient should be based essentially on the tariff average of bound rates of hat member, resulting in multiple coefficients. This formula would essentially give developing members greater flexibility in term of tariff reduction through lower tariff cuts. Developing members also view the tariff reduction formula to affect a key principle of DDA, which allows them flexibility to undertake “ less than full reciprocity in reduction commitment”. DDA emphasizes the “ special needs and interest of the developing countries as, including through less than full reciprocity in reduction commitments and provision tariffs lines and perhaps none for other. Developed members open that flexibilities should be explored through other means, a proposal rejected by developing members, which also agreed to convert non and valour duties to and valorem equivalent.

Developing members with a substantial position of their industrial tariffs unbound are expected to bind such tariff lines. There are some consensus that unbound tariff lines should be subject to formula cuts provided there is a pragmatic solution for those lines

with low applied rates. Some members expressed that their unbound tariff lines with high applied rates one also sensitive and should be given due consideration.

NTBs constitute a significant barrier to goods liberalization but the ministerial declaration has not given it the attention it deserve. Developing members, thus need to intensify the discussion on NTBs give the reluctance of the developed members to initiate negotiation on this issue.

When it is important to preserve the “less than full reciprocity” Principle envisaged by DDA, it is essential that the final modalities agreed for the reduction of industrial tariff do allow developing member the policy space for industrial developing members the policy space fort industrial development.

All the study reports (so far available) seminar papers, articles published in different newspapers, magazines etc, related to garment sector have been collected, compiled and reviewed. The issues and suggestions incorporate in different literatures have been analyzed in this study reports.

In this context, some of the pertinent study reports have been reviewed to bring out new aspects of RMG sector.

A study entitled “Nepalese Readymade Garment in Post MFA Regime” by Pudasaini (2006) had presented the garment production process as follows:

- The Production Process
- The Production Technology

Most of the Nepalese garment manufacturers use a piece rate system for production of garments. It is a most traditional technology in operation with a low productivity.

Under this system one tailor stitches and prepares the entire garment except button hole making and button fixing operation, irrespective of his/her ability and skill to maintain the quality standards where as all over the world and even in some parts of India this system is no more in existence and was being replaced by an assembly line system. It is right time for Nepalese garment producers to improve their technology and adopt as assembly line technology. This is one of the appropriate alternative ways available to improve the productivity and quality of the Nepalese garment so that they can be competitive in the global Market (Pudasaini, 2006).

4.4 Production Process (Piece-Rate System)

Initially a sample design is received and a sample garment is manufactured and sent to the internationally buyers or their agents. Once the sample design has been approved,

they send a complete set of orders specifying the exact materials to be used for garment, production along with the exact measurement of the garment. Then the order for the required type of cloth, button and thread is placed on the usual suppliers of India or Hong Kong. Once the order is received the RMG Production Process starts: The processes are briefly described below:

1. Inputs

The Main input or raw materials in the garment is cloth which is the prime cost component. Other raw materials include tread, button, shoulder pads, zipper, elastics, paper foam, eye lets (metals).

2. Layering

The layering process is done by the technician. The cloth has been laid out perfectly on the cutting table and this can take one to two days to do so. This can be as much as 1000 layers of cloth to be cut at the one time, this is an important process because the whole cutting process can go wrong if the layering is not perfect. Mostly, the size of the cutting machines decides the thickness of the layers of cloth to be cut. The maximum thickness that can be cut by machine is 8 inches.

3. The major activities at cutting stage are cutting of the fabric as per specification and then inspecting, assorting and arranging the cut fabric to facilitate the flow of stitching process. First of all, a pattern of the sample garment is cut in the paper according to the specification of the design. The fabric is laid on a long cutting table and folded lengthwise in required length in layers. The pattern paper made is placed as the top of the fabric cut by an electric cutting machine to different parts. If required, a cut fabric cut by an electric cutting machine into different parts. After inspection if the cut fabric is not of required specification or of improperly over locked nature it will be reworked or rejected. The cloth is measured and cut by technician.

The technician charge a lot of money to the cloth because it is a specialized technique and if there is even a tiny mistake, 500 to 1000 piece of cloth may on wastage.

4. Bundling

The cloth is bundled up and sent to the issuing cum-receiving section. All the related parts that make one unit of a product one bundled together i.e. the sleeves, arm collar etc. of the shirt is bundled together. This is done to make issuing easier and faster.

5. Issuing

The bundled cloth is sent to the issuing cum receiving section that dispatches it to the sewing room.

6. Stitching

Each tailor receives almost equal number of pieces to stitch, but those who work faster receive extra pieces. The tailors are paid under a piece-rate system. During peak season it is not unusual to find the tailors working 20 hours a day. This parts of process takes a long time and the bottleneck of process. This section employs the most of employees (at least 60-70 percent). The management usually does not interfere with their working methods.

7. Measurement Checking

The stitched pieces are taken to the measurement room where it is measured according to the specified parameters. This is an in process quality control measure. If any faults are found as “ALT” tag is attached at the faulty part and sent to the some tailor who stitched it for the necessary repair work.

8. Kaj Button

The piece that fit the specification are then sent to the Kaj button room for necessary work, which will again be the parameters specified. The workers in this department also work on a piece rate system.

9. Thread Cutting

The ready pieces are sent to the thread cutting room for the finishing touches. All the extra thread that are stitched out are that to give the finished product a better look. For this operation, workers composition is most of women.

10. Washing

The garment is washed and dried if necessary products are stonewashed.

11. Final checking

Before pressing and packaging the product is checked to confirm the quality and size.

12. Pressing

After the individual pieces have passed the final checking, it is pressed according to the style specified by the buyer.

13. Rechecking

After pressing, individual pieces are rechecked.

14. Packing, Packaging and Labelling

Packing, Packaging and Labelling are done according to the exact specifications of the buyers.

The ready labeled garments are folded and packed into polypropylene bags of sizes instructed by the buyer. Then one set of garment, according to the sizes as per the specified ratio is packed in another similar bag (in general the ratio of garments shirts as required by the US market is small: medium: large = 2:3:1). The packed garment are put in a corrugated box, covered with a plastic sheet from insides in order to avoid possible damage due to dampness during transportation. After this the boxes are sealed, stapled and covered by a box cover. Finally the boxes are marked with the address of the exporters and the buyer. Generally labeling of garment is done during two different stages of production. Labelling I is under taken during the stitching stage when embroidered tape of labels of two types- one containing the brand name and other containing information, such as fiber content, origin marking, washing instructions and size are normally stitched below the collar bend of the shirt (Pudasaini, 2006).

The sample size of study area was 195 and most of the households from this VDC are associated in foreign employment due to the lack of employment opportunities in the country. Remittances income becomes a second main source of income besides agriculture. The number of migrant households is presented in table 4.1.

Table 4.1: Number of Migrant and Non-Migrants Respondents from Shyamsila VDC

Ward no.	Total RRHH	Total NRRHH	Total Respondents	Percent of total RRHH	Percent of total NRRHH	Percent of total Respondents
1	9	5	14	8.5	5.7	7.2
2	16	11	27	15.1	12.3	13.8
3	6	9	23	13.2	10.1	11.8
4	12	10	22	11.3	11.2	11.4
5	10	9	19	9.5	10.1	9.8
6	9	6	15	8.5	6.8	7.8
7	16	12	28	15.1	13.5	14.5
8	14	17	31	13.2	19.1	15.4
9	14	10	16	5.6	11.2	8.3
Total	106	89	195	100	100	100

Source: Field Survey, 2016.

Table 4.1 presents that 106 households were found migrant households out of total 195 sample households, which is 54.35 percent of total households. Similarly, total

non-migrated respondents of the VDC is 89, which is 45.65 percent of the total sample respondents. The large number of respondents is migrated from ward number 2 and 7, where 16 respondents are associated in foreign employment, which is 15.1 percent of total migrant respondents of the VDC. This is because, this ward 7 of the VDC is geographically not appropriate for agriculture. Similarly, the study found that migration rate of respondents for foreign employment from ward no. 9 of the VDC is lower in comparison to the other ward of the VDC, this ward is appropriate for agriculture and trading activities. This result shows that the association in foreign employment from each ward is not equal.

4.1.2 Age and Sex Distribution of the Population of the Study Area

The population distribution of remittances receiving households and remittances non receiving households under different age groups is presented in the following table.

Table 4.2: Age and Sex Distribution of the Population of the Study Area

Age group	Remittances receiving HH				Remittances non receiving HH			
	Male	Female	Total	Percent	Male	Female	Total	Percent
Below 20	10	9	19	18.14	10	8	18	20.44
20-24	14	1	15	14.69	3	14	17	19.16
25-45	17	19	36	33.88	16	9	25	27.74
46-59	5	18	23	21.59	6	10	16	17.70
60-75	6	4	10	10.49	4	5	9	10.58
above 75	2	1	3	2.70	2	2	4	4.38
Total	54	52	106	100.00	41	48	89	100.00

Source: Field Survey, 2016.

Table 4.2 shows that out of the total respondents of the sample household average respondents below 20 years is 18.14 percent. Similarly average respondents above 60 years is 13.19 percent. This result shows that dependent population of the study area is about 33.37 percent. Here the study shows that the number of economically active population is comparatively higher in comparison to the inactive population i.e. 66.64 percent of population is counted as economically active. Between the ages of 20 to 60 years regarded as economically active population. Based on the above assumption there is high dependency ratio, which is 33.37 percent. This high dependency rate is also one of the major causes of poverty situation in the study area.

4.1.3 Level and Sources of Income (Annual)

In the study area the main occupation of the people is agriculture but it comes less amount of income in comparison to remittances but greater than other sectors like trade, service etc. The following table clarifies the sources and level sample households' income.

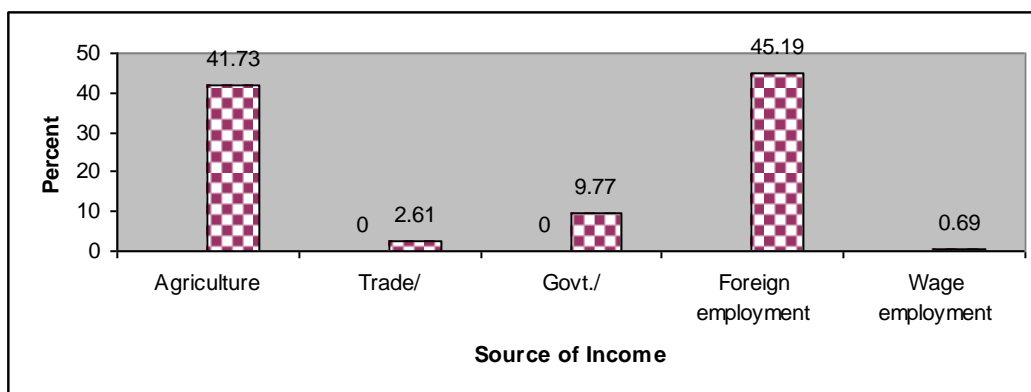
Table 4.3: Level and Sources of Households' Income (RRHH)

Ward no.	No. of Sample HH	Annual average income (Rs. In 000)					Total income
		Agriculture	Trade/business	Govt./private job	Foreign employment	Wage employment	
1	9	111.94	9.56	28.89	127.33	2.17	2518.93
2	16	190.89	5.97	33.88	114.72	4.52	5599.63
3	14	141.75	6.08	22.71	174.35	1.11	4844.13
4	16	151.74	6.56	38.94	140.56	2.81	5449.91
5	10	114.04	6.90	28.00	319.50	2.20	4706.36
6	9	111.99	14.61	60.00	294.55	6.67	4390.45
7	12	201.48	7.92	40.17	169.25	1.18	5039.97
8	14	213.17	14.14	32.21	121.50	0.89	5346.82
9	6	205.18	35.83	90.50	239.83	3.92	3451.55
Total income	106	17255.54	1080.10	4039.00	18688.50	284.60	41347.74
percent	-	41.73	2.61	9.77	45.19	0.69	100.00

Source: Field Survey, 2016.

Table 4.3 shows the sources and annual average income of sampled remittances receiving households. This table shows that 45.19 percent of total income is gained through foreign employment. This is higher amount of income in comparison to other sectors.

Figure 4.1: Percentage Share of Households' Income



Similarly, agriculture, trade and industry, government/ private job and wage income covers 41.73 percent, 2.61 percent, 9.77 percent and 0.69 percent respectively. Here share of farm income in Nepal is 47.80 percent (NLSS 2010/11), but it is evident from above table that only 41.73 percent of total income is shared by agricultural sector. The share of income from wage employment and trade and industry is comparatively less than other sectors. Similarly, ward wise income status of remittances non receiving households is shown in following table.

Table 4.4: Level and Sources of Households' Income

Ward no.	No. of Sample HH	Annual average income (Rs. in 000)				Total income
		Agriculture	Trade/ business	Govt./ private job	Wage employment	
1	5	196.12	267.29	112.80	3.50	2898.53
2	11	129.06	16.45	91.64	5.06	2664.31
3	9	126.56	40.23	60.67	10.73	2143.74
4	12	100.78	17.92	103.79	6.12	2743.27
5	9	113.37	52.17	46.67	9.11	1991.82
6	6	165.43	41.83	147.67	5.92	2165.05
7	10	131.90	57.70	76.30	9.65	2755.51
8	17	102.29	44.58	110.18	4.01	4438.07
9	10	294.96	84.50	66.00	3.56	4490.19
Total income	89	12768.96	4995.03	7965.5	561.00	26290.49
Percent	-	48.57	18.99	30.29	2.13	100

Source: Field Survey, 2016.

Table 4.4 showed that 48.57 percent of total income is gained from agriculture. Comparatively it is greater than remittances receiving household. The share of highest average agricultural income is from ward no. 9, it is because this ward is appropriate for vegetables farming on the basis of monsoon, transportation etc. The share of lowest average agricultural income is from ward no. 6. Income from trade and industry covers 18.99 percent of total income. The share of highest income from trade is gained from ward no. 1. Similarly, income from government/ private job and wage employment covers 30.29 percent and 2.13 percent respectively. This result shows that total average income of remittances non receiving households is lower in comparison to the remittances receiving households.

4.2 Composition Pattern of Labor Migration

This chapter categorized into different section. Each section have own value. Collected data were processing and analyzing through various statistical implementation such as mean, percentage and table are using in this section to fulfill the primary objectives. This chapter discusses the composition and pattern of labor migration, income earned from foreign employment, utilization of remittances etc. as well as the impact of remittances on poverty and other different indicators. Therefore, this chapter is very important and viable than other chapters.

4.2.1 Causes for Seeking Foreign Employment

Even though, poverty being the main factor for foreign employment, there are several reasons behind it. It might be economic, social or political. They may be related to the acquired skills and various other reasons. To find out causes of seeking foreign employment the respondents were asked to identify the prime causes for the foreign employment. The causes for the foreign employment are presented in the table.

Table 4.5: Causes of Seeking Foreign Employment from Shyamsila VDC

Causes of seeking foreign employment	Chhetry/Brahamin		Janajati		Dalit		Total	Percent
	No. of respondents	Percent	No. of respondents	Percent	No. of respondents	Percent		
Unemployment	14	28.0	10	25.0	5	31.25	29	27.30
Family debt	9	18.0	12	30.0	5	31.25	26	24.40

Conflict problem	7	14.0	4	10.0	1	6.25	12	11.20
Earn money	11	22.0	9	22.5	3	18.75	23	21.10
Internal desire	9	18.0	5	12.5	2	12.50	16	16.0
Total	50	100	40	100	16	100	106	100

Source: Field Survey, 2016.

Table 4.5 shows that unemployment is the main cause of foreign employment. Among all the respondents about 27.30 percent had stated that unemployment as the main cause for foreign employment. The other cause is family debt burden which is also playing as the major push factor for the foreign employment. From the field study it is found that the percentage of Janajati and Dalit populations migrated in aboard for employment due to the family debt is higher in comparison to the Chhetry and Brahamin caste population. Among the total sample migrants about 24.40 percentage respondents are emigrated due to the family debt burden. This means that among the ethnic groups Janajati and Dalit showed higher percentage of family debt burden in comparison to the Chhetry and Brahamin caste group. The third reason for the foreign employment is to earn money. The 21.10 percent of respondents stating that the major cause to seeking foreign employment is to earn money. About 11.20 percent and 16.0 percent respondents had found seeking foreign employment is due to internal desire and conflict problem respectively. It is concluded that unemployment and family debt are the main causes to seek foreign employment.

4.2.2 Cost Paid for Foreign Employment and Duration of Stay

The cost started from obtaining a passport, medical checkup, manpower agency commission, visa expenditure, air fare and cost of traveling time to time from home area to Kathmandu and also to the district headquarter and hotel charge in Kathmandu at the time processing for the foreign employment.

Duration of foreign stay of migrants workers depend upon availability of work, facilities provided by company, salary rate, health of workers, visa permit date, home urgency and other several reasons. Sometimes the respondents return their home before the agreement date due to inferior type of job, low salary, and family affairs such as death of any family members, sickness and their own bad health. The result of both types of cost paid for foreign employment and the duration of stay in the foreign employment are summarized in the table.

Table 4.6: Cost Paid for Foreign Employment and Duration of Stay in Foreign Country

Caste groups	No. of respondents	Average cost (in Rs. 000)	Range of cost (in Rs. 000)		Average duration of stay (years)
			Minimum	Maximum	
Chhetry/ Brahamin	50	105.05	46.61	215.71	3.20
Janajati	40	88.99	41.50	235.90	3.75
Dalit	16	82.60	38.00	160.30	2.80
Total	106	92.21	42.04	209.97	3.25

Source: Field Survey, 2016.

Table 4.6 shows that average cost paid by Chhetry and Brahamin caste group for foreign employment is Rs. 105.05 thousands. This caste group had paid high average cost than other caste group because they prefer to go high quality work like salesmen, security, accounting etc. for foreign employment and they are going those countries where the wage rate is high and other facilities like air fare, medical facility, holiday time to time etc. given by the company. The average cost paid by Janajati and Dalit caste group is 88.99 thousand and 82.60 thousand respectively. The population of Dalit caste group is unable to pay high cost for foreign employment so they are receiving less salary in comparison to the other caste. We can see that there is too much variation in the cost of foreign employment among the different caste groups. Similarly, the average cost for foreign employment is Rs. 92.21 thousand and the minimum cost is Rs. 42.04 thousand and maximum cost is Rs. 209.97 thousand. This result shows that the respondent of this VDC had wide range of cost and it highly varies with the sample.

According to the duration of stay from the field survey we know that the respondents from Janajati caste group have longest duration of stay where they stay on an average of 3.75 years. After Janajati, Chhetry and Brahamin caste group spent average of a 3.20 years and Dalit caste group average duration of stay around 2.80 years. It means that the average duration of stay of the respondents from Shyamsila VDC is 3.25 year.

4.2.3 Types of Jobs

Since the skill of Nepalese workers is quite low; most of them get employment in manual job. To find out the types of jobs performing in foreign country which is categorized into five types, they are manufacturing, security, hotel, security, salesmen and others. Number of population and types of jobs are presented in the table 4.7.

Table 4.7 shows that most of the migrated people work in the construction area which is 37.19 percent of the total migrated population. Most of the unskilled workers are associating in the construction areas due to lack of other technical knowledge to work in other sectors.

Table 4.7: Types of Jobs Performing in Aboard

Types of jobs	Chhetry/Brahamin		Janajati		Dalit		Total	Percent
	Total	Percent	Total	Percent	Total	Percent		
Construction	14	37.28	10	39.53	5	31.57	29	27.35
Salesman	9	22.03	12	23.25	5	5.26	26	24.55
Hotel/catering	7	16.94	4	16.27	1	26.31	12	11.30
Security	11	13.55	9	9.30	3	15.78	23	21.70
Others	9	10.16	5	11.62	2	21.05	16	15.10
Total	50	100.00	40	100.00	16	100.00	106	100

Source: Field Survey, 2016.

The second most employed area is salesman in which 24.55 percent members is working and third most employed area is hotel/catering in which 11.30 percent respondents are working and equal 21.70 percent migrated members are working in security and others sectors like agriculture, cleaner etc. Due to the lack of education and skills, the percentage of Dalit population working as salesmen is lower in comparison to the population of other case groups. Only 24.55 percent Dalit population is working as salesmen in abroad.

4.2.4 Financing Source

Most of the rural people of Nepal who want to go for foreign employment use several sources of financing the cost involved. In the study area, the mostly used sources of financing are loan (from relatives, friends, merchants etc.) and internal saving. To find out the extent of sources used by respondents they were asked to provide their sources and the amount. The information collected is presented in the table 4.8.

Table 4.8: Source of Financing for the Foreign Employment

Caste groups	No. of HHs	Family saving (In percent)	Loan (In percent)	Sales of property (In percent)
Chhetry/Brahamin	50	45.44	36.36	21.90
Janajati	40	34.06	25.43	45.23
Dalit	16	20.50	38.21	32.87
Total	106	100.00	100.00	100.00

Source: Field Survey, 2016.

Table 4.8 shows that 45.44 percent, 34.06 percent and 20.50 percent amount in total cost is paid from family saving by three caste groups Chhetry/Brahamin, Janajati and Dalit respectively. Among them Chhetry and Brahamin caste group paid large amount of cost from their family saving in comparison to the other caste groups. The population of Dalit caste group, 38.21 percent amount of total cost is paid from loan which is higher in comparison to the other caste groups. Other population of two caste groups Chhetry/Brahamin and Janajati 36.36 percent and 25.21 percent amount of cost is paid by making loan. This result shows that the saving of Dalit caste group is lower in comparison to the other caste groups. Similarly, population of these three caste groups Chhetry/Brahamin, Janajati and Dalit paid 21.90 percent, 45.23 percent and 32.87 percent amount is by selling property like land, gold etc respectively.

4.2.5 Income Earned From Foreign Employment (Remittances Income)

It is often said that Nepalese workers get low payment in overseas. So, they earn less money than labors from others countries. But income earned in abroad depends on skill of workers, salary paid by company, duration of stay etc. Income earned in abroad on the basis of countries, education and types of jobs is presented in the table 4.9.

Table 4.9: Income Earned in Abroad (Annual)

Caste groups	No. of respondents	Average annual income Rs.(in 000)								
		Based on destination		Based on education		Based on jobs				
		Gulf	Malaysia	Literate	Illiterate	Construction	Salesman	Hotel	Security	Others
Chhetry/ Brahamin	50	218.56	104.07	137.81	100.83	106.78	132.89	99.23	117.89	86.08
Janajati	40	196.8	96.45	116.74	96.51	93.56	124.98	92.34	114.63	76.45
Dalit	16	178.65	81.29	92.42	67.52	87.9	110.45	87.85	101.75	65.50
Total	106	198.67	93.94	115.66	88.29	96.08	122.77	93.14	111.42	66.01

Source: Field Survey, 2016.

Table 4.9 shows that the respondents who have done the work in gulf countries earned more money than the respondents worked in Malaysia, comparing the two countries the average annual income of the respondents in Malaysia is Rs. 93.94 thousands whereas the average annual income in Gulf countries is Rs. 198.67 thousands. Comparing the income of the respondents caste wise, we can get, the result that the respondents from Chhetry/ Brahamin caste group gets more average annual income than others because they get information about all the rules and regulations of their work and their salary before they departed to the destination countries. The annual average income of Gulf countries is lower than Malaysia for Dalit caste group because most of the workers from this group is working in Malaysia due to low cost and easy processing. The literate workers are getting the average annual income of around Rs. 115.66 thousand whereas the illiterate workers getting around 88.29 thousand rupees averagely in a year. Among five types of jobs salesman get higher average annual salary which is Rs. 122.77 thousand per year. Security, construction, hotel and others get average annual salary Rs. 111.42 thousand, Rs. 96.08 thousand, Rs. 93.14 thousand and Rs. 66.01 thousand respectively.

4.2.6 Share of Remittances Income in Total Income

Majority of the people in this VDC are largely involved in the agriculture but the share of agricultural income is lower than remittances income. The share of remittances income in total income is shown in the table.

Table 4.10: Share of Remittances Income in Total Income

Caste groups	No. of house hold	Annual income (Rs. in 000)				
		Total income	Total average income	Remittances income	Average remittances income	Average remittances as percent of total average income
Chhetry/Brahamin	50	21688.47	417.09	10579.5	203.45	48.78
Janajati	40	14566.10	393.67	6170.00	166.75	42.36
Dalit	16	5093.17	299.59	1939.00	114.06	38.08
Total	106	41347.74	370.12	18688.5	161.42	43.61

Source: Field Survey, 2016.

Table 4.10 shows that Chhetry and Brahamin caste group received total remittances Rs. 10579.50 in last year and their average remittances income is Rs. 203.45 thousand which covers 48.78 percent of their total average income. Janajati caste group received total remittances income Rs. 6170.00 thousand in the last year and their average remittances income is Rs. 166.75 thousand which is 42.36 percent of their total average income. Similarly, Dalit caste group received Rs. 1939.00 thousand remittances in the last year and their average remittances income is Rs. 114.06 thousand which covers 38.08 percent of their total average income. This result shows that in an average 43.61 percent income of the total income is covered by remittances income in household level. On the other hand this table shows 56.61 percent remittances of total remittances income is received by Chhetry and Brahamin caste group, 33.01 percent remittances is received by Janajati and 10.37 percent remittances income is received by Dalit caste group and thus the research hypothesis is accepted.

4.3 Utilization of Remittances

The use of remittances depends on the priority placed by the industries of different use, the size of remittances, the time of availability, opportunity for investment and several types of factors. Majority of migrant workers go abroad because of unemployment at home and poverty in the household. The utilization of remittances income in different sectors is given in the table.

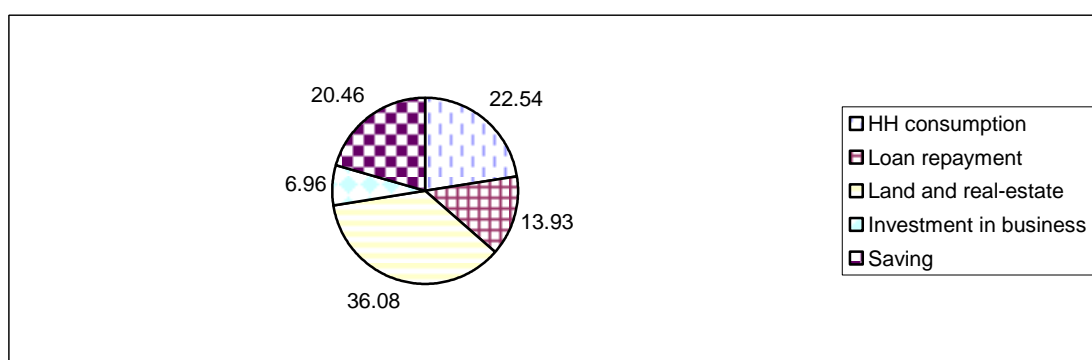
Table 4.11: Utilization of Remittances Income in Different Sectors

Caste group	No. of HH	Total remittances income (in 000)	Annual expenditure of remittances income (Percent)				
			HH consumption	Loan repayment	Land and real-estate	Investment in business	Saving
Chhetry/Brahamin	52	10579.50	12.86 percent	9.42 percent	45.58 percent	8.14 percent	23.99 percent
Janajati	37	6170.00	31.30 percent	19.32 percent	26.39 percent	5.59 percent	17.38 percent
Dalit	17	1939.00	47.52 percent	21.45 percent	15.16 percent	4.92 percent	10.98 percent
Total	106	18688.5	4213.34	2605.17	6744.41	1301.98	3824.19
Percent	-	100.00	22.54	13.93	36.08	6.96	20.46

Source: Field Survey, 2016.

Table 4.11 shows that Chhetry and Brahmin caste group received remittances income Rs. 10579.50 thousand in the last year. This caste group uses the remittances income in household consumption, loan repayment, to purchase land and real estate investment in business and saving is 12.86 percent, 9.42 percent, 45.58 percent, 8.14 percent and 23.99 percent respectively. Janajati caste group received the remittances income Rs. 6170.00 thousand in the last year.

Figure 4.2: Utilization of Remittances Income in Different Sectors



This caste group uses the remittances income in household consumption, loan repayment, to purchase land and real estate investment in business and saving is 31.30 percent, 19.32 percent, 26.39 percent, 5.59 percent and 17.38 percent respectively. Similarly, Dalit caste group received Rs. 1939.00 thousand remittances incomes in the last year. This caste group uses the remittances income in household consumption, loan repayment, to purchase land and real estate, investment in business and saving is 47.52 percent, 21.45 percent, 15.16 percent, 4.92 percent and 10.98 percent respectively. In the total 22.54 percent remittances income is used in the household

consumption purposes, 13.93 percent remittances income is used to repayment loan, 36.08 percent remittances income is used to purchase land and real estate, 6.96 percent remittances income is used to invest in the business sectors and 20.46 percent remittances income is in saving. Chhetry and Brahamin caste group have been made the large amount of expenditure in purchasing land and real- estate. Janajati and Dalit caste groups have been made the large amount of expenditure in households' consumption purposes. From this analysis we concluded that the large amount of remittances income is investing in unproductive sectors.

4.3.1 Impact of Remittances on Income Status

Table 4.12 presents the income status of remittances recipient households and remittances non recipient households. Before the remittances receiving 26.41 percent households' annual income is between 150 thousand to 200 thousand. The large numbers of households before remittances receiving were in this class. Only 3.77 percent and 2.83 percent households were having the income between 350 thousand to 400 thousand and above 400 thousand before the remittances received. But after receiving the remittances income the percentage having annual income under these two income class has been increased by 21.69 percent and 17.92 percent respectively. This result shows that the remittances income really helps to increase the economic status of the households. Similarly, if we compare the economic status of remittances recipient and remittances non recipient households we can find that the frequency of remittances recipient households' having higher income is greater than remittances non recipient households.

Table 4.12 Impact of Remittances on Income Status

Annual earnings (Rs. In 000)	No. of remittances receiving household				No. of remittances non receiving HH	Percent
	Before	Percent	After	Percent		
Below 50	3	2.83	0	0	1	1.12
50-100	17	16.04	6	5.66	8	8.99
100-150	15	14.15	14	13.21	15	16.85
150-200	28	26.41	6	5.66	13	14.60
200-250	16	15.09	11	10.37	23	25.84

250-300	12	11.32	9	8.49	10	11.23
300-350	8	7.54	18	16.98	9	10.11
350-400	4	3.77	23	21.69	4	4.49
Above 400	3	2.83	19	17.92	6	6.74
Total	106	100.00	106	100.00	89	100.00

Source: Field Survey, 2016.

The percentage of income of remittances recipient households between 350 thousand to 400 thousand is 21.69. Whereas only 4.49 percent of remittances non recipient households are in this income class. Similarly, 17.92 percent remittances recipient households' income is greater than 400 thousand while only 6.74 percent remittances non recipient households' income is greater than 400 thousand. From this analysis we concluded that there is high income inequality between the remittances recipient households and remittances non remittances households.

4.3.2 Impact of Remittances on Poverty

Poverty is the condition described as the unavailability of the basic requirements such as food, clothes, shelter etc. The person who is not capable of attaining the daily needs and minimum requirements can be rated poor. In the context of Nepal many people are living under the poverty line i.e. are not getting their basic requirements. Poverty in Nepal is largely a rural phenomenon. According to the Nepal Living Standard Survey III, 25.16 percent population is under the poverty line. This survey claimed that the decrease of poverty from 30.8 percent to 25.16 percent is due to the remittances income. National Planning Commission estimated that the poverty rate is decreased from 25.16 percent to 23.8 percent at end of the twelfth plan 2066/67 to 2069/70 (MOF, 2015). The target of poverty reduction by the end of the thirteenth plan is 18 percent. Like wise the target of poverty reduction of vision 2020 i.e. end of the 2020 is 10 percent. No. of HH having income below \$1 per day with PPP was taken as poverty line in NLSS 2066/67.

Where as in study area, there were 10.45 percent poor and 19.60 percent ultra poor (VDC Profile, 2070). In the study area, remittances income has become an effective approach in reducing the poverty. The living standard of the people is gradually changing. The income of the family has been raised up, ultimately uplifting the living

standard of the people living under the poverty line. The contribution of remittances income in poverty reduction is shown in the table.

Table 4.13: Impact of Remittances on Poverty

Caste group	Remittances receiving households (RRHH)							Remittances non receiving households (RNRHH)		
	Total no. of HH	No. of HH having income below \$1 per day						Total no. of HH	No. of HH having income below \$1 per day	Percent
		Before	Percent	Average per capita Rs.	After	Percent	Average per capita Rs.			
Chhetry/Brahamin	52	14	26.92	7200	8	15.38	22260	45	9	20.00
Janajati	37	10	27.02	6800	6	16.22	20500	30	7	23.33
Dalit	17	8	47.05	6500	4	23.53	19500	14	5	35.71
Total	106	32	33.67	6898	18	18.38	20753	89	21	26.35

Source: Field Survey, 2016

Table 4.13 shows the poverty situation of remittances receiving households and remittances non receiving households on the basis of different caste groups. Before receiving the remittances 26.92 percent households with average per capita income Rs. 7200 of Chhetry and Brahamin were getting incomes below \$1 per day. The percentage of other two caste group having income below \$1 is 27.02 percent with average per capita income Rs. 6800 and 47.05 percent with average per capita income Rs. 6500 respectively. The population under the poverty line is 33.67 percent before receiving the remittances income. After receiving the remittances only 18.38 percent population is getting the income below \$1 per day with average per capita income Rs. 20753. The population of all caste groups having income below \$1 per day is decreased due to the remittances income. If we compare the poverty situation of remittances recipient households and remittances non recipient households, poverty in remittances non recipient households is greater than remittances recipient households. Among the remittances non recipient households 26.35 percent population is getting income below \$1 per day. In the table we can see that the poverty rate of Dalit population is greater than other caste groups. It is because the large number of population from Dalit caste group is still working in low level work and their participation rate in decision making level is very low.

It can be proved from the statistical tools also. After receiving the remittances income whether the poverty of the study area is decreased or not, it has been tested with Z-test. The critical value of Z at 5 percent level of significance for right tailed test is

1.645. Since the calculated value of Z is greater than tabulated value of Z (3.13>1.645), null hypothesis is rejected or alternative hypothesis is accepted. It means that there is a relation between the consumption pattern of labour migration in Shyamsila VDC. So the proportion of household having income below \$1 per day is decreased after receiving the remittances income.

This result shows that remittances income has been played positive role to reduce the poverty of the study area and there is positive relation between the consumption pattern and income level of labour migration in Shyamsila VDC.

From this analysis we concluded that the remittances income is typically helpful to meet specific needs of the migrants' family members and thus leads to increase their standard of living. The lower class or poor households may finance their remittances income to fulfill their basic needs, such as in consumption, housing, children education and health care and pay back loan. If the remittances income is used in productive sectors like cottage and small industry, modern agriculture farming etc. the poverty typically reduced in the study area. The hypothesis of relation between the income and utilization on household of the Shyamsila VDC is accepted. It means there is a positive relation between the income and utilization of remittances on household of the Shyamsila VDC i.e. higher the income higher will be the utilization of remittances in household activities and ultimately poverty level of household in Shyamsila VDC is decreased.

4.3.3 Impact of Remittances in Occupation

The impact of remittances in occupation is presented in the given table.

Table 4.14: Impact of Remittances in Occupation (All age groups)

Occupation	Population (RRHH)				Population (RNRHH)	Percent
	Before	Percent	After	Percent		
Agriculture	19	52.27	15	35.08	18	38.86
Study	15	23.14	19	19.49	17	25.54
Trade/Business	36	4.36	23	4.79	25	10.40

Government /private job	23	5.17	36	5.39	16	8.75
Foreign employment	-	-	10	18.14	9	-
Not work	13	15.05	3	17.09	4	16.42
Total	106	100	106	100	89	100

Source: Field Survey, 2016.

Table 4.14 shows that the agriculture is the main occupation of both remittances receiving and remittances non receiving households. However, the percentage of agricultural population is different in two groups. Before receiving the remittances income 52.27 percent population were associating in agriculture which is decreased to 35.06 percent after receiving the remittances. Migration in abroad for foreign employment is the main reason to decline the agricultural population. Similarly, the percentage of study population also decline after receiving the remittances income. There is no significant change in population associating in trade and services. The population who are not working any work is increased from 15.05 percent to 18.14 percent after receiving the remittances. Similarly, if we compare the occupational situation of remittances receiving and remittances non receiving households, we find that the percentage of population associating in all types of occupations in remittances non receiving households is greater than remittances receiving households except not working population, 38.86 percent, 25.54 percent, 10.49 percent, 8.95 percent and 16.42 percent population are associating in agriculture, study, trade/business, services and not work respectively from remittances no- receiving households. From this analysis we concluded that the trend of migration of agricultural population to the abroad for employment is greater than other population.

4.3.4 Impact of Remittances on Size of Land Holding

In the study area, most of the people's main occupation is agriculture. However there is extreme inequality in the distribution of land. The land is categorized into three forms, i.e. Khet, Bari and Pakhoo. Most of the poor families don't have Khet. They have only small pieces of land (Bari and Pakho), and few of them have Khet. After receiving the remittances most of the households buy land and real-estate in out of district. The following table shows the unequal distribution and holding of land among the sample households.

Table 4.15 shows the unequal distribution of land among the sample households of remittances receiving and remittances non receiving households. Before receiving the remittances 1.88 percent households were landless households out of 106 households. After receiving the remittances income the landless households decreased to 0.90 percent. Before receiving the remittances percentage of households having land below two Ropani, 2 to 5 Ropani, 5 to 10 Ropani, 10 to 15 Ropani, 15 to 20 Ropani and above 20 Ropani were 13.20 percent, 24.52 percent, 23.58 percent, 18.86 percent, 12.26 percent, and 5.56 percent respectively.

Table 4.15: Distribution of Land Among Sample Households

Size of land in (Ropani)	No. of remittances receiving HH				No. of HH	Percent
	Before	Percent	After	Percent		
Landless	2	1.88	1	0.90	-	-
Below 2	14	13.20	11	10.37	12	13.48
2 to 5	26	24.52	21	19.81	24	26.97
5 to 10	25	23.58	14	13.20	21	23.59
10 to 15	20	18.86	23	21.69	13	14.60
15 to 20	13	12.26	19	17.93	8	8.99
Above 20	6	5.66	17	16.00	11	12.36
Total	106	100.00	106	100.00	89	100.00

Source: Field Survey, 2016.

After receiving the remittances income land having 15 to 20 Ropani and above 20 Ropani households is increased to 17.93 percent and 16.00 percent respectively. Similarly, percentage of remittances non receiving households having land 15 to 20 Ropani and above 20 Ropani is 8.99 percent and 12.36 percent respectively. This percentage is lower in comparison to the remittances receiving households. This result shows that land holding power is increased after receiving the remittances income.

4.3.5 Impact of Remittances on Other Indicators

Positive impact of remittances income depends on the size of income received from foreign employment, family size, earlier economic condition of the family, culture of society etc. From the field study we found that there are differences in expenditure pattern on food, education, real-estate as well as investment and saving between remittances receiving households and remittances non receiving households. These are presented in the following headings.

4.3.5.1 Food Expenditure

Remittances income directly affects the average annual food expenditure of remittances receiving households'. It is found that the average annual food expenditure of remittances receiving households is higher in comparison to the remittances non receiving households. It is not good for improvement the economy. This is shown in the table.

Table 4.16: Annual Average Food Expenditure of RRHH and NRRHH

Caste group	Annual exp. of RRHH(Rs. in 000)			Annual exp. of NRRHH(Rs. in 000)		
	No. of HH	Total average exp.	Average exp. On food	No. of HH.	Total average exp.	Average exp. on food
Chhetry/ Brahamin	52	442.89	157.14	45	262.56	117.96
Janajati	37	386.88	143.54	30	241.94	95.17
Dalit	17	304.92	96.65	14	226.66	83.43
Total	106	378.83	132.44	89	243.72	98.85

Source: Field Survey, 2016.

Table 4.16 presents the differences of annual average food expenditure between remittances receiving households and remittances non receiving households. From the remittances receiving households, Chhetry and Brahamin caste group has been made Rs. 157.14 thousand expenditure on food which is Rs. 117.14 thousand in remittances non receiving households of this caste group. Similarly, Janajati and Dalit caste groups have been made annual food expenditure Rs. 143.54 thousand and Rs. 96.65 thousand respectively which are Rs. 95.17 thousand and Rs. 83.43 in remittances non receiving households. Whether there is significant different or not in food expenditure pattern between remittances receiving household and remittances non receiving households, it has been tested with the help of t- test as follows:

Table 4.17: Expenditure Difference in Food between RRHH and NRRHH

Categories of HHs	No. of HHs	Mean exp. on food (Rs. in 000)	Mean difference	S.E.	t
RRHH	106	132.45	33.60	1127.63	6.96*
RNRHH	89	98.85			

Source: Field Survey, 2016.

* indicates significant at 5 percent level of significance.

The critical value of t at 5 percent level of significance for 193 degree of freedom is 1.645 (right tailed test).

Since the calculated value of t is greater than tabulated value ($6.96 > 1.645$), we accept alternative hypothesis or null hypothesis is rejected. So the food expenditure pattern of remittances receiving household is higher in comparison to the remittances non receiving households. This result indicates that the income level of households' determines the pattern of expenditure on food.

4.3.5.2 Educational Expenditure

In Nepal high amount of remittances income is found to use in unproductive sectors such as consumption, loan repayment, real estate and purchase of electronic goods. However, educational expenditure is also found to increase. Remittances recipients seem curious to spend high amount of remittances on education of their children/ adults. Annual average educational expenditure of remittances receiving households and remittances non-receiving households is given in the table.

Table 4.18: Annual Average Educational Expenditure of RRHH and NRRHH

Caste group	Annual exp. Of RRHH(Rs. in 000)			Annual exp. of NRRHH(Rs. in 000)		
	No. of HH	Total average exp.	Average exp. on education	No. of HH.	Total average exp.	Average exp. On education
Chhetry/ Brahamin	52	442.89	38.25	45	262.56	26.98
Janajati	37	386.88	26.19	30	241.94	22.56
Dalit	17	304.92	12.18	14	226.66	8.83
Total	106	378.23	25.54	89	98.85	19.45

Source: Field Survey, 2016.

The result of this survey shows that there is remarkable different in average annual spending on education between remittances receiving households and remittances non receiving households. From the remittances receiving households Chhetry/Brahamin, Janajati and Dalit caste group have been made annual average educational expenditure Rs. 38.25 thousand, Rs. 26.25 thousand and Rs. 12.18 thousand respectively. Whereas these three caste groups of remittances non receiving households have been made annual average educational expenditure Rs. 26.98 thousand, 22.56 thousand and 8.83 thousand respectively. This fact reveals that the

remittances receiving households' expenses the more amounts in education in comparison to the remittances non receiving households.

Whether average annual educational expenditure between RRHH and RNRHH is significantly differ or not? It has been tasted by using t- test as follows:

Table 4.19: Educational Expenditure Difference between RRHH and NRRHH

Categories of HHs	No. of HHs	Mean exp. on education (Rs. in 000)	Mean difference	S.E.	t
RRHH	106	37.61	5.53	1170.03	0.89*
NRRHH	89	32.08			

Source: Field Survey, 2016. (From Appendix-III)

* indicates significant at 5 percent level of insignificance.

The critical value of t at 5 percent level of insignificance for 124 degree of freedom is 1.645 (right tailed test).

*For calculation see appendix III

From the field study it is found that only 106 households out of 195 RRHH and 89 households out of 195 NRRHH makes the educational expenditure. Their average annual educational expenditure is Rs. 37.61 thousand and Rs. 32.08 thousand respectively. Table 4.19 shows that the calculated value of t is less than tabulated value ($0.89 < 1.645$), we accept null hypothesis or alternative hypothesis is rejected. So, there is no significant difference in educational expenditure between RRHH and RNRHH. This result is different from findings of other researchers. In this study area peoples are conscious towards education and they understood the importance of education so they are spending their income by reducing the other expenditure. Due to this reason this study found there is not significant difference in educational expenditure between RRHHs and NRRHHs.

4.3.5.3 Investment on Land and Real-estate

From the field study it is found that the remittances receiving households investing the large amount of remittances income to purchase land and real estate out of the VDC, specially in Terai district. But amount of investment is not equal between remittances receiving households and remittances non receiving households. This is presented in the table.

Table 4.20 shows the remittances receiving and remittances non receiving households' average annual investment in land and real estate from total annual income. Among the remittances receiving households Chhetry/Brahamin, Janajati and Dalit caste groups make annual average investment on land and real- estate is Rs. 108.81 thousand, Rs. 119.23 thousand and Rs. 32.41 thousand respectively. Here we can see that Janatjati caste group invest the large amount on land and real estate than other caste group. Similarly, average annual investments of three caste groups of remittances non receiving households are Rs. 49.61 thousand, 37.91 thousand and Rs. 9.21 thousand respectively. This result shows that the average annual investment on land and real- estate by Dalit caste group is lower in comparison to the other caste groups.

Table 4.20: Annual Average Investment of RRHH and NRRHH on Real- estate

Caste group	Annual exp. Of RRHH(Rs. in 000)			Annual exp. of RNRHH(Rs. in 000)		
	No. of HH	Total average exp.	Average investment on land and real estate	No. of HH.	Total average exp.	Average investment on land and real estate
Chhetry/ Brahamin	52	442.89	108.81	45	262.56	49.61
Janajati	37	386.88	119.23	30	241.94	37.91
Dalit	17	304.92	32.41	14	226.66	9.21
Total	106	378.23	86.82	89	98.85	32.24

Source: Field Survey, 2016.

Whether the investment pattern on land and real-estate between RRHH and RNRHH is significantly differ or not? It has been tasted with the help of t-test as follows:

Table 4.21: Investment Difference on Land and Real-Estate between RRHH and NRRHH

Categories of HHs	No. of HHs	Mean exp. on land and real-estate (Rs. In 000)	Mean difference	S.E.	t
RRHH	106	438.33	177.42	38775.12	2.42*
NRRHH	89	260.91			

Source: Field Survey, 2016. (From Appendix-IV)

* indicates significant at 5 percent level of significance.

The critical value of t at 5 percent level of significance for 30 degree of freedom is 1.697 (right tailed test).

*For calculation see appendix IV

Since the calculated value t is greater than tabulated value ($2.42 > 1.697$), we accept alternative hypothesis or null hypothesis is rejected. So investment pattern of remittances receiving household on land and real-estate is higher in comparison to the remittances non receiving households. From this result we concluded that the large amount of remittances income is invested on land and real-estate. This is not good sign of economic improvement of the economy.

4.3.5.4 Saving

In the study area amount of saving is not equal between remittances receiving households and remittances non receiving households. It is found that the saving of remittances receiving households is greater than remittances non receiving households. Annual average saving of the households is presented in the table.

Table 4.22: Annual Average Saving of RRHH and NRRHH

Caste group	Annual saving of RRHH(Rs. in 000)		Annual saving of NRRHH(Rs. in 000)	
	No. of HH	Average Saving	No. of HH.	Average Saving
Chhetry/ Brahamin	52	86.69	45	28.48
Janajati	37	68.41	30	23.93
Dalit	17	43.23	14	10.35
Total	106	66.11	89	20.92

Source: Field Survey, 2016.

Table 4.22 shows the annual average amount of saving by different caste groups. This table shows that the annual average saving of Chhetry and Brahamin caste group is greater than other caste groups. Annual average saving of remittances receiving households is Rs. 86.69 thousand, 68.41 thousand and Rs. 43.23 thousand by Chhetry/Brhmin, Janajati and Dalit caste group respectively. Similarly, annual average saving of remittances non receiving households by Chhetry/Brahamin, Janajati and Dalit caste group is Rs. 28.48 thousand, Rs. 23.93 thousand and Rs. 10.35 thousand respectively. This result shows that the saving amount of remittances receiving households is greater in comparison to the remittances non receiving

households. This result shows that the saving pattern of Janajati and Dalit caste group is lower in comparison to the Chhetry and Brahamin caste group. It is because they are spent large portion of income in religious activities like festivals, marriage ceremony etc.

Whether remittances receiving households (RRHH) and remittances non receiving household (NRRHH) saving pattern is significantly differ or not? To test this student test (t-test) applying here this is presented as follows:

Table 4.23: Level of Saving between RRHH and NRRHH

Categories of HHs	No. of HHs	Mean Saving (Rs. in 000)	Mean difference	S.E.	t
RRHH	106	152.33	88.13	7647.26	4.25*
RNRHH	89	64.2			

Source: Field Survey, 2016. (From Appendix-V)

* indicates significant at 5 percent level of significance.

The critical value of t at 5 percent level of significance for 73 degree of freedom is 1.658 (right tailed test).

*For calculation see appendix V

Table 4.23 demonstrates that 106 RRHH and 89 NRRHH makes saving from their income and annual average saving among the RRHH was Rs. 152.33 thousand and that among the NRRHH was Rs. 64.2 thousand. This clearly reveals that there is considerable difference in capacity to save between two groups of households. Here calculated value of t is greater than tabulated value ($4.25 > 1.658$), accept alternative hypothesis or null hypothesis is rejected. So the saving pattern of RRHH is higher in comparison to the NRRHH. The test statistics also supports the fact. Therefore it is clearly evident that remittances has significant impact on the household saving which is good sign of economic improvement. The hypothesis of there is a relation between the consumption pattern of labour migration in Shyamsila VDC is accepted. Similarly another hypothesis there is a relation between the income and utilization on household is also accepted. It means that higher the remittances income higher will be the utilization on household activities.

CHAPTER V

MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Major Findings

From this study following findings are drawn:

The study found that 106 households were found migrant households out of total 195 sample households, which is 54.35 percent of total households. Similarly, total non-migrated respondents of the VDC is 89, which is 45.65 percent of the total sample respondents. The large number of respondents is migrated from ward number 2 and 7.

In the study area the main occupation of the people is agriculture but it comes less amount of income in comparison to remittances but greater than other sectors like trade, service etc.

Since the skill of Nepalese workers is quite low; most of them get employment in manual job. To find out the types of jobs performing in foreign country which is categorized into five types, they are manufacturing, security, hotel, security, salesmen and others.

The study found that 45.19 percent of total income is gained through foreign employment. This is higher amount of income in comparison to other sectors.

In the national context, main destinations of Nepalese workers are Gulf countries and Malaysia. More than sixty percent of the workers are employed in Gulf countries. Country wise Malaysia, Saudi Arabia, Qatar, UAE are the destinations of Nepalese workers.

The average annual income of the household in this VDC is around 130 thousand and 41.73 percent income is covered by agricultural income.

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

The average cost paid for foreign employment by the respondents of the study area was around Rs. 92 thousand and average duration of stay is 3.25 years. Majority of the foreign job seekers did not have any skill and took unskilled labor jobs in construction.

The study found that Chhetry and Brahamin caste group received remittances income Rs. 10579.50 thousand in the last year. This caste group uses the remittances income in household consumption, loan repayment, to purchase land and real estate investment in business and saving is 12.86 percent, 9.42 percent, 45.58 percent, 8.14 percent and 23.99 percent respectively. Janajati caste group received the remittances income Rs. 6170.00 thousand in the last year. This caste group uses the remittances income in household consumption, loan repayment, to purchase land and real estate investment in business and saving is 31.30 percent, 19.32 percent, 26.39 percent, 5.59 percent and 17.38 percent respectively. Similarly, Dalit caste group received Rs. 1939.00 thousand remittances incomes in the last year. This caste group uses the remittances income in household consumption, loan repayment, to purchase land and real estate, investment in business and saving is 47.52 percent, 21.45 percent, 15.16 percent, 4.92 percent and 10.98 percent respectively. In the total 22.54 percent remittances income is used in the household consumption purposes, 13.93 percent remittances income is used to repayment loan, 36.08 percent remittances income is used to purchase land and real estate, 6.96 percent remittances income is used to invest in the business sectors and 20.46 percent remittances income is in saving.

Total remittances income of last year of the sample households' is Rs. 18688.5 thousand and share of remittances income in total income is 45.20 percent. Annual average educational expenditure of remittances receiving households is Rs. 25.25 thousand whereas annual educational expenditure of remittances non receiving households is Rs. 19.46 thousand. Annual average saving of remittances receiving households is Rs. 66.11 thousand. Where remittances non receiving households' annual average saving is only Rs. 20.92 thousand.

In the study area, remittances income has become an effective approach in reducing the poverty. The living standard of the people is gradually changing. The income of the family has been raised up, ultimately uplifting the living standard of the people living under the poverty line. The contribution of remittances income in poverty reduction in study area is significant.

5.2 Conclusions

It is concluded that the economic and social condition of all families who have involved in foreign employment have increased. It may be in both aspects i.e. economy as well as social but surely there is positive change in the status of the families of the respondents due to remittances income. Therefore we can say that remittances is playing vital role in reducing the level of poverty in the study area. In rural areas remittances is playing a great role in reducing the rural poverty. In the study area the level of poverty is reducing gradually than the previous times. The living standard of the people has been raised up. Educational status has been raised up and the people are now living a healthy life. The social status of the people has been raised up. In overall scenario the poverty level has been reduced and the people are now living a higher living standard. As a conclusion, we can say that the remittances income earned from foreign employment is helping the household of the study area in fulfilling their basic needs as well as fulfillment of other socio- economic aspect of their life. In another aspect of this survey we can say that the remittances earned by the foreign labor have benefited other members of his family than the employed himself. Therefore it is clear that the remittances is playing very positive role to the respondents and their family to reduce the poverty level of the study area.

5.3 Recommendations

- i. Surely remittances income is playing very positive role to reduce rural poverty of the study area and also it is improving the social as well as economic indicators of the VDC but this is not satisfactory.
- ii. Maximum part of remittances income have been used in unproductive sectors like regular household expenditure, loan repayment, to purchase land and real-estate etc. this do not give any return in the future. Thus, the policy should be made to give more information to the respondents own using their remittances income into productive sectors like investment in shares, business etc. and should be given more opportunities in using their newly learnt skill after returning from the foreign employment.
- iii. Most of people are found to go in the construction of building and security guard as unskilled laborer but their earning on an average is very low so the government should give the training of driving, cook, plumber, carpenter and

many more compulsory for all those who want to go abroad and government should establish such vocational institutes where in low fee people from grass root level can be skillful.

- iv. This results in high volume of remittances. Since most of the migrant Nepalese workers have gone to Gulf countries and Malaysia so their destination are congested area of the Nepalese workers. Thus, manpower agencies, agent and Employment Company all have cheated to maximum workers.
- v. On the other hand, the worker of their destinations can not earn more money then other destination like Japan, Korea, Hong Kong, UK, etc. So ministry of Labor and Transport Management GON should make new policy to identify new potentialities destinations and create opportunities to their destination. Where the workers will earn more money than existing countries. Ultimately their level of income will increase and income and utilization on household activities will automatically increase.

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