ROLE OF REMITTANCE IN POVERTY REDUCTION:

A CASE STUDY OF GADHI VDC OF MAKWANPUR DISTRICT

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

> Submitted by Parwati Paneru Roll.No.30/2068 TU Regd. No.: 6-2-242-105-2004 Central Department of Economics Tribhuvan University, Kirtipur Kathmandu, Nepal June 2016

RECOMMENDATION LETTER

This is certified that **Mam. ParbatiPaneru** has prepared this thesis entitled **ROLE OF REMITTANCE IN POVERTY REDUCTION: A CASE STUDY OF GADHI VDCOF MAKAWANPURDISTRICT** under my guidance and supervision. I hereby recommend this thesis for examination by the thesis committee as a partial fulfillments of the requirements for the degree of Master of Arts in economics.

.....

Prof. Dr. Ram Khelawan Shah (Thesis Supervisor) Central Department of Economics Tribhuvan University Kirtipur, Nepal

Date: 2073/01/15 B.S.

APPROVAL LETTER

We certify that this thesis entitled **ROLE OF REMITTANCE IN POVERTY REDUCTION: A CASE STUDY OF GADHI VDC OF MAKAWANPUR DISTRICTS**ubmitted by **ParwatiPaneru** to the Central Department of Economics. Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of Masters of Arts in Economics has been found satisfactory in scope and quality. Therefore, we accept this thesis at a part of the said degree.

Thesis committee

Prof. Dr. Ram PrasadGyanwaly (Head of theDepartmet)

Prof. Dr. Sohan Kumar Karna (External Examiner)

Prof. Dr.R.K. Shah (Thesis Supervisor)

Date: 2073/01/25 B.S. 2016/05/06 A.D.

ACKNOWLEDGEMENTS

First of all, I would like to express my hearty gratitude to my respected supervisor **Prof. Dr. R.K. Shah** of Central Department of Economics, TU. Kirtipur, Nepal for his scholarly and constructive guidance, inspiration, support, suggestions and valuable time to bring out this thesis. I would like to express sincere gratitude to all professors, and staff of CEDECON, TU, who have helped directly and indirectly in preparing my thesis.

I am especially grateful to GadhiVDC, Makwanpur district for providing various documents and information for this study. I am also thankful to the respondents of the study area for providing me real information, valuable time and their warm co-operation during the study period.

I would like to extend my deep gratitude to my parentsKhagendraPrasadapaneru., Tika Devi paneru, RajuchaulagainApsars sister, Sabitreephuyal , sitachaulagainSarita, Subashand all the family members who inspired me to complete this thesis.

The occasional help from my friends NavarajK.C Prakash,SurendraLamsal,Manoj Shrestha and JyaprakashKhanal who strongly supported me during research. Finally, I like to thank Mr. Prakash Ghimire for his excellent computer work.

Parwati Paneru

TABLE OF CONTENTS

REC	RECOMMENDATION LETTER i		
APPROVAL LETTER			
ACKNOWLEDGEMENTS			
TABLE OF CONTENTS			
LIST	Γ OF TABLES	vii	
LIST OF FIGURES			
ABBREVIATIONS/ACRONYMS			
CH	APTER-I: INTRODUCTION	1-7	
1.1	Backgroud of the Study	1	
1.2	Statement of the Problem	5	
1.3	3 Objectives of the Study 6		
1.4	4 Significance of the Study 6		
1.5	5 Limitations of the Study 7		
1.6	Organization of the Study	7	
CHA	APTER-II: LITERATURE REVIEW	8-28	
2.1	Introduction	8	
2.2	2 Theoretical Review		
	2.2.1 International Review	9	
	2.2.2 National Review	16	
2.3	Empirical Review	23	
	2.3.1 International Review	23	
	2.3.2 National Review	25	
2.4	Research Gap	28	
CHAPTER-III: RESEARCH METHODOLOGY 29-31			
3.1	Research Design 2		

2Nature and Sources of Data29			
3 Primary DataCollactoin 2			
3.3.1 StrucuralQuestions	30		
3.3.2 Interview and Key Informants	30		
3.3.3 Observation	30		
3.4 Sampling Procedures	30		
3.5Secondary Data Collection3			
3.6 Methods of Data Analysis			
CHAPTER-IV: DATA PRESENTATION AND ANALYS	IS OF		
GADHI VDC	32-64		
4.1 Foreign Employment	32		
4.2 Growth Pattern of Labor Migration	33		
4.3 Most Favored Destination Countries for Nepalese Work	ters 34		
4.4 Remittance	36		
4.4.1 Growth of Remittance	36		
4.4.2 Contribution of Remittance to the National Econo	omy 38		
4.5 Geographical Background	40		
4.6 Demographic Status40			
.7 Household Status 41			
4.8 Educational Status	.8 Educational Status 42		
4.9 Family Size43			
4.10 Age and Sex Status of the Study Area 44			
4.11 Size of Land Holding45			
4.12 Occupational Status46			
4.13 Ethnic Composition46			
4.14 Extent of Poverty and Unemployment 47			

4.15	Social Characteristics of Respondents 49			
4.16	Sources of Income of the Sampled Households 50			
4.17	Status	of Economic Condition	51	
4.18	Causes	s Seeking to Foreign Employment	52	
4.19	Cost P	aid for Foreign Employment	53	
4.20	20 Sources of Financing 55			
4.21	2.21 Types of Jobs and Duration of Stay in Foreign Employment 56			
4.22	4.22Causes to Return Back to Work Again57			
4.23	23 Income Earned Abroad 58			
	4.24	Utilization of Remittance and Skills Learned in Foreign		
		Employment	59	
	4.25	Changed in Household Economy Due to Foreign Employment	61	
	4.26	Impact on Other Indicators	63	
Cha	pter–V	: SUMMARY OF FINDINGS, CONCLUSIONS AND		
		RECOMMENDATIONS	65-71	
	5.1	Summary of Findings	65	
	5.2	Conclusion	68	
	5.3	Recommendations	68	
REFERENCES 72			72-75	
QUESTIONNAIRE			76-80	

LIST OF TABLES

Table No.	TitleP	age No.
Table 3.1:	Sample Size of Respondents' Household of Gadhi VD	31
Tatble 4.1	Number of Nepalese Migrant Workers Eemploywd in parts of t	he
	World	33
Table 4.2:	Number of Nepalese Migrant Workers in Different Countries	35
Table 4.3:	Status of Remittance (Rs. In million) 37	
Table 4.4:	Composition of GDP, Saving, Investment and Remittance in	
	Nepal (Rs.in million)	39
Table 4. 5:	Demographic Status in Study Area	41
Table 4.6:	Educational Status of Sample Households(6 years of age and ov	ver) 43
Table 4.7:	Distribution of Sampled Household by Family Size	43
Table 4.8:	Distribution of Population by Sex and Age Groups	44
Table 4.9:	Distribution of Household and Population According to Major	
	Occupation	46
Table 4.10:	Distribution of Total Sampled Population and Household by Ca	st 46
Table 4.11:	Employment Status of the Sample Households	48
Table 4.12:	Average Family Size and LiteracyPercentage of Different Ethni	C
	Groups of Sampled Households	49
Table 4.13:	Frequency Distinction of Economic Condition of Different	
	Ethnic Groups of Respondents from SanoshreeVDC	51
Table 4.14:	Frequency Distribution of Causes of Seeking Foreign Employm	ent
	from SanoshreeVDC	52
Table 4.15:	Average Cost Paid and Range of Costs for Foreign Employmen	tBy
	Different Ethnic Group from SanoshreeVDC(In Rs. '000')	54
Table 4.16:	Frequency Distribution of Source of Financing of Cost of Forei	gn
	Employment for Different Ethnic Groups of SanoshreeVDC	55

Table 4.17:Types of Jobs Performed and Duration of Stay in Foreign		of
	Respondents from SanoshreeVDC	56
Table 4.18:	Causes to Return for Foreign Employment for Different Ethnic	
	Group of Respondents	57
Table 4.19:	Income Earned in Abroad for Different Ethnic Group of	
	Respondents	58
Table 4.20:	Use of Remittance and the Skills Learnt in Foreign Employment	60
Table 4.21:	Frequency Distribution of Change in Different Indicators of	
	Respondents Due to Foreign Employment	62
Table 4.22:	Frequency Distribution of Impact on Other Household	
	Indicators of the Respondents	63

LIST OF FIGURES

Figure No.	Title	Page No.	
Figure: 4.6	Sample Households Made by Different Types	42	
Figure:4.10	Distribution of Land among Sample Households	45	
Figure: 4.13	Regular Money Income of the Sample Households	47	
Figure: 4.16	Sources of Income of the Sampled Households	51	

ABBREVIATION/ACRONYMS

BOP	:	Balance of Payment
CBS	:	Central Bureau of Statistics
CFE	:	Convertible Foreign Exchange
DFID	:	Department for International Development
FDI	:	Foreign Direct Investment
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GNI	:	Gross National Income
GoN	:	Government of Nepal
ILO	:	International Labor Organization
IMF	:	International Monetary Fund
KSA	:	Kingdom of Saudi Arabia
MoF	:	Ministry of Finance
NLSS	:	Nepal Living Standard Survey
NPC	:	National Planning Commission
NRB	:	Nepal Rastra Bank
SLC	:	School Leaving Certificate
UAE	:	United Arab Emirates
UK	:	United Kingdom
USA	:	United States of America
VDC	:	Village Development Committee
WB	:	World Bank
WDR	:	World Development Report
WTO	:	World Trade Organization