

**ECONOMIC IMPLICATIONS OF FOREIGN
EMPLOYMENT AND INWARD
REMITTANCE BUSINESS
IN NEPAL**

A THESIS

Submitted By:

Anjali Aryal

T.U. Regd. No. 5-2-37-634-2000

Global College of Management

Submitted to

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirements for the degree of
Master of Business Studies (MBS)

Mid-Baneshwor, Kathmandu

August, 2012

RECOMMENDATION

This is to certify that the thesis:

Submitted by:

ANJALI ARYAL

Entitled

“ECONOMIC IMPLICATIONS OF FOREIGN EMPLOYMENT AND INWARD REMITTANCE BUSINESS IN NEPAL” has been approved by this department in the prescribed format of the Faculty of Management. The thesis is forwarded for examination.

.....

Prof. Dr. Pushkar Bajracharya
(Chairman, Research Department)

.....

Mr. Ganga Dhar Dahal
(Thesis Supervisor)

.....

Mr. Nar Bahadur Bista
(Principal)

Date:.....

DECLARATION

I hereby declare that the work in this thesis entitled, **“Economic Implications of Foreign Employment and Inward Remittance Business in Nepal”** submitted to Global College of Management, Faculty of Management, Tribhuvan university, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Studies under the supervision of Mr. Ganga Dhar Dahal.

Researcher

Anjali Aryal

Global College of Management

T.U. Registration No. 5-2-37-634-2000

ACKNOWLEDGEMENT

I express my sincere gratitude to my Thesis Supervisor Mr. Ganga Dhar Dahal, for his support, patience, and encouragement throughout my studies. Without his constant guidance and creative comments, this study would not have been possible.

My special thanks also go to the staffs of International Money Express (IME), especially Manju K.C. for helping considerably by providing required information.

I would like to thank my parents for their support during my studies and my husband for his cooperation in my research works. My brother Anil deserves special thanks for his support and help during the entire process of thesis writing.

Lastly, I would like to express my sincere thanks to the staff of Global College of Management.

I hope the possible errors would be covered by the subsequent studies in this field in the future.

Anjali Aryal

Global College of management

T.U. Registration No. 5-2-37-634-2000

TABLE OF CONTENTS

Recommendation
Viva-voce Sheet
Declaration
Acknowledgement
Table of Contents
List of Tables
List of Figures

	Page no.
CHAPTER- 1: INTRODUCTION	1-4
1.1. Background of the Study	1
1.2. Statement of the Problem	3
1.3. Purpose of the Study	3
1.4. Objectives of the Study	3
1.5. Research Questions	4
1.6. Scope and Limitation	4
CHAPTER- 2: LITERATURE REVIEW	5-49
2.1 Conceptual Review	5
2.1.1 An overview of foreign employment and remittance	5
2.1.2 Theories regarding foreign employment and remittance	7
2.1.3 Remittance Transfers to Nepal: Overview of Remittance Transfer	10
Methods	
2.1.4. Banking facilities for Immigrants	12
2.1.5. History of Foreign Employment and remittance in Nepal	14
2.2 Empirical Review	16
2.2.1 Foreign employment and remittance: A trend	16
2.2.2 Money Transfer Service	18
2.2.3 Remittance: as a source of foreign currency	19
2.2.4 Remittance Receiving Mechanism	21
2.2.5 Remittance on economic development	24

2.2.6	Inward remittance through migration: A global perspective	27
2.2.7	Uses and Impact of remittance	29
2.2.8	Contribution of Remittance on poverty alleviation and employment	33
2.2.9	Remittance Flows: Magnitude and Direction	35
2.3	Contextual Review	38
2.3.1	Effect of positive and negative externalities	38
2.3.2	Effect of monetary and fiscal policy	41
2.3.3	Challenges for labor employment and remittance	42
2.3.4	Problem faced by migrant workers	43
2.3.5	Impact of Emigration in Nepalese Economy	45
2.3.6	Factors Determining the Remittances Income	45
2.3.7	A study of Foreign Employment and Remittance in Nepal	47
CHAPTER-	3: RESEARCH METHODOLOGY	50-53
3.1	Research Design	50
3.2	Population and Sample	51
3.3	Data Collection Procedures	52
3.4	Sample Characteristics	52
3.5	Method of Data Presentation and Analysis	52
3.5.1	Primary Data Presentation and Analysis	53
3.5.2	Secondary Data Presentation and Analysis	53
CHAPTER-	4: ANALYSIS AND INTERPRETATION	54-104
4.1	Secondary data Analysis	54
4.1.1	Foreign employment pattern of Nepal	54
4.1.2	Most favored nation of Nepalese workers	56
4.1.3	Migrants Characteristics	58
4.1.4	Contribution of Remittance on economy	64

4.1.5	Problems in foreign labor migration	80
4.2	Primary Data Presentation and Analysis	81
4.2.1	Size of the Family Members and Major Sources of Income	81
4.2.2	Structure of Foreign Employment of Nepalese Labour	83
4.2.3	Age, Educational Qualification and Duration of Contract to Work	85
4.2.4	Mode of going abroad for foreign employment	87
4.2.5	Source of Expenses incurred while going abroad for Foreign Employment	89
4.2.6	Types of work for which the Nepalese People are recruited	90
4.2.7	Income Status of Nepalese Workers Abroad	91
4.2.8	Mode of fund transfer and time taken to receive such transfers	93
4.2.9	State of the collection of fund transfer from abroad	96
4.2.10.	Volume of remitted fund and problem faced during its receipt	99
4.2.11.	Utilization of the remitted funds and saving status of recipients	100
4.2.12	Investment Climate and Investment Opportunities	101
4.2.13.	Attraction of the Migrant Workers towards the formal channel	102
4.3	Macroeconomic Impacts	103
CHAPTER- 5: FINDINGS, CONCLUSION AND RECOMMENDATION		105-118
5.1	Summary of Findings	105 5.2
	Conclusions	108 5.3
	Recommendations	112

BIBLIOGRAPHY

APPENDIX

LIST OF TABLES

Table	Contents	Page no.
Table 2.1	Comparative features of FNCR and NRE accounts	13
Table 2.2	Migration trend in Southeast Asian countries from 2001 to 2005	17
Table 2.3	Remittance trend from Southeast Asian countries from 2001 to 2004 (US\$ Billions)	17
Table 2.4	Foreign Currency inflow in the form of remittance to LAC	20
Table 2.5	Transfer method of money from UK	21
Table 2.6	Time required for handling over the cash and cost of sending money to Pakistan from UK	22
Table 2.7	Distribution of Financial Institutions Dealing with Money Transfer	23
Table 2.8	Capital Flows in Developing Countries	28
Table 4.1	Trend of Nepalese Workers for Foreign Employment	54
Table 4.2	Most Favored Countries for Nepalese Workers	56
Table 4.3	Foreign migrants' workers according to Gender	59
Table 4.4	Foreign Migrants' According to Age	60
Table 4.5	Average Wage Received by Nepalese Foreign Employees	62
Table 4.6	Trend in Inflow of Remittances	64
Table 4.7	Amount of Transfer Credit	67
Table 4.8	Relationship between Percentage Change of Remittance and Transfer Credit	68
Table 4.9	Contribution of Remittances on GDP	69
Table 4.10	Trend and Percentage Change of Balance of Payments	70
Table 4.11	Distribution of Financial Institutions Dealing With Money Transfer	73
Table 4.12	Contribution of Remittance on Government Revenue	74
Table 4.13	Contribution of Remittance on Household Economy	75
Table 4.14	Uses of Remittance	77
Table 4.15	Percentage Change of Employment Generation within the Country from Remittance	78

Table 4.16	Family Size and Sources of Income	82
Table 4.17	Major Destination and Proportion of Nepalese workforce	84
Table 4.18	Details of individuals going abroad for foreign employment	86
Table 4.19	Mode of going abroad for foreign employment and expenses incurred	88
Table 4.20	Sources of Expenses Incurred	89
Table 4.21	Types of Work Nepalese People are involved into	91
Table 4.22	Income Status of Nepalese workers abroad	93
Table 4.23	Mode of fund transfer and time taken to receive such transfers	95
Table 4.24	State of collection of fund transfer from abroad	98
Table 4.25	Volume of Remitted Fund	99
Table 4.26	Utilization of the Remitted Funds and Saving Status of the Recipients	101
Table 4.27	Attraction of the Migrant Workers towards the formal channel	103

LIST OF FIGURES

Figure	Contents	Page no.
Figure 4.1	Percentage Change of Nepalese Foreign Employers	55
Figure 4.2	Percentage change for most favored countries	57
Figure 4.3	Percentage Change of Foreign Migrants' According to Gender	59
Figure 4.4	Percentage Change of Foreign Migrants' According to Age	61
Figure 4.5	Percentage Change of Wages Received	63
Figure 4.6	Trend in Inflow of Remittance	65
Figure 4.7	Percentage Change in Inflow of Remittance	65
Figure 4.8	Amount of Transfer Credit	67
Figure 4.9	Percentage Change of Transfer Credit	68
Figure 4.10	Percentage Change between Workers' Remittances and Transfer Credit	69
Figure 4.11	Contribution of Remittances on GDP	69
Figure 4.112	Trend of Workers Remittance, Exports and Imports	71
Figure 4.12	Percentage Change of Remittance With Respect to BOP	72
Figure 4.14	Remittance Receiving Mechanism	73
Figure 4.15	% of Household Receiving Remittances	76
Figure 4.16	Avg. amt of Remittance per Recipient Household	76
Figure 4.17	Percentage Change of 'A'	76
Figure 4.18	Share of Remittance on Household	76
Figure 4.19	Uses of Remittance Money	77
Figure 4.20	Percentage Change of Employment Generation	79
Figure 4.21	Family Size and Sources of Income	83
Figure 4.22	Nepalese Foreign Employment Structure As per Field Survey	85
Figure 4.23	Details of Individuals Going Abroad For Foreign Employment	87
Figure 4.24	Mode and Expenses Incurred While Going Abroad For Foreign Employment	88
Figure 4.25	Sources of Expenses Incurred	90
Figure 4.26	Types of Work Nepalese People are Involved Into	91
Figure 4.27	Monthly Income of Nepalese Workers Abroad	93

Figure 4.28	Mode and Frequency of Remitting Funds From Abroad	96
Figure 4.29	State of Collection of Fund Transfer from Abroad	98
Figure 4.30	Volume of Remitted Funds per Transfer	100
Figure 4.31	Utilization of Remitted Funds of the Recipients	101
Figure 4.32	Attraction of the Migrant Workers for formal channel	103