

**ROLE OF REMITTANCE IN RURAL POVERTY REDUCTION:  
A CASE STUDY OF PIPALTARI VDC, PARBAT DISTRICT, NEPAL**

**A Thesis submitted to  
Central Department of Rural Development,  
Tribhuvan University,  
in partial fulfillment of the requirements for the  
Degree of Master of Arts (M.A.)  
in  
Rural Development**

**By  
Amrish Sharma Paudel  
Central Department of Rural Development  
Tribhuvan University, Kathmandu**

**TU, Regd. No.: 12132-95**

**Exam Roll No.: 281347**

**June, 2016**



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## Declaration

I hereby declare that the thesis entitle "**Role of Remittance in Rural Poverty Reduction**" submitted to the Central Department of Rural Development, Tribhuvan University is entirely my original work prepared under the guidance and supervision of my supervisor. I have made due acknowledgements to all ideas and information borrowed from different sources in the course of preparing this thesis. The results of this thesis have not been presented or submitted anywhere else for the award of any degree or for any other purposes. I assure that no part of the content of this thesis has been published in any form before.

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Date: 10-06-2016

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## **Recommendation Letter**

The thesis entitled **Role of Remittance in Rural Poverty Reduction**, A case study of Pipaltari VDC, Parbat District has been prepared by **Amrish Sharma Paudel** under my guidance and supervision. I hereby forward this thesis to the evaluation committee for final evaluation and approval.

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Prajwal Man Pradhan  
Lecturer

Date: 15-06-2016

01-03-2073

## Approval Letter

The thesis entitled **Role of Remittance in Rural Poverty Reduction** (A case study of Pipaltari VDC, Parbat District, Nepal) by **Amrish Sharma Paudel** in partial fulfillment of the requirements for the Master's Degree (M.A.) in Rural Development has been approved by the evaluation committee.

### Evaluation Committee

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Amrish Sharma Paudel

June, 2016

## ABSTRACT

This study entitled "Role of Remittance in Rural Poverty Reduction" (A case study of Pipaltari VDC, Parbat District, Nepal) was conducted with the objectives of analyze the impact of remittance in rural livelihood, access the contribution of remittance in poverty reduction in rural area and analyze the factors related to the use of remittance in Pipaltari VDC of Parbat District. This study is mainly based in the primary information and the data were collected using the techniques of household survey with the help of questionnaire and interview.

There were 623 households in this VDC. Out of total households 420 households were receiving remittance money. Among them 50 households were selected as the sample for the study. Most of the households from the study area were receiving remittance. In the study area it was found that Brahmin 40% and Sarki (Dalit) 30% were the major ethnic group in the study area. Remittance was the main occupation of this study area. 94% foreign migrant workers were male and only 6% were female. 44% foreign migrant workers were spending their remittance in buying land. 40% households were saving their remittance Rs 50,000 – 100,000 per year. After remittance foreign migrant workers households were receiving an amount of NRs 2 lakh to 6 lakh per year. 50% households economic conduction has improved through remittance. Similarly there was significant improvement in the foreign migrant workers households going for better health check up in private hospital and started to sent their children in school, colleges and universities after receiving the remittance in the study area.

From the study area we can conclude that all the households who were receiving remittance are getting benefit. Their access to health and education and economy has increased. Likewise it also helps in net saving. The remittance is not using properly in productive sector if the households properly invest in productive sector it will help to develop rapidly which helps in rural development. All households were very positive towards remittance income.

In the study area, remittance income has become an effective approach in reducing the poverty. The living standard of the people is gradually changing. People are now getting



the proper health facilities and their educational status is also gradually increasing. The income of the family has been raised up ultimately uplifting the living standard of the people living under the poverty line.

Some recommendation from our side like the income coming from remittance should be utilized in productive sector like business, agriculture, etc. there should be some vocational training institution in the local area for their skill development and so on. Result of the study suggests that remittance helps to reduce rural poverty and helps in rural development.

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## **ABBREVIATIONS / ACRONYMS**

CBS	:	Central Bureau Statistics
DFID	:	Department for International Development
FY	:	Fiscal Year
GDP	:	Gross Domestic product
GNI	:	Gross National Income
HHs	:	Households
LPG	:	Liquid Petroleum Gas
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
US \$	:	United State Dollar
VDC	:	Village Development Committee
WB	:	World Bank

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nepal is a small landlocked, developing and agricultural country. Poverty, unemployment, high population growth rate and dependency on agriculture are the main characteristics of Nepalese economy. It has tremendous potentiality for sustainable high level of growth based on prime foundation of Nepalese economy which are water resources, tourism, human resources and remittance and biodiversity.

In general remittance is a small amount of money which is sent by the migrants who involved in foreign employment. The main aim of labor migration is to send money back home. Remittance is now considered as a backbone of our economy. Since last few years remittance income is playing a vital role for the foreign currency earning and to reduce the number of people in the country below poverty line and untimely to the economic growth of the nation.

Nepal is a developing country having the problem of mass poverty and unemployment. High population growth rate and increasing dependency on agriculture and lack of employment opportunity are the attributes for its slow growth rate. That is why people are migrated in foreign employment. Most of the migrated people are from rural areas of Nepal. In this present condition most of the people of rural areas are migrated to India for work. Foreign labor employment has become a strategy for survival of the rural subsistence household. It helps to increase foreign exchange and reserves the resources in a scarce economy.

Nepal is an underdeveloped country. Its per capita income is among the lowest in the world. It has a low industrial base. Agriculture production is lagging behind population growth with 2.2 percent growth rate (NRB, 2009) and 1.40 percent growth rate of the population (CBS, 2011). Because of these reasons, young generations are attracted towards foreign employment, which has benefited them by raising their living standard and social prestige.

In the present situation remittance is playing vital role to reduce poverty level of Nepal to the downward ranges, especially in rural areas where there is no other opportunities to earn and get employment without agricultural sector. But due to the lack of proper government policy to encourage the remittance income in the productive sectors almost 80 percent of remittance money is used in unproductive sectors like house building land buying and other luxurious goods.

Poverty is the major burning problem of both developing as well as underdeveloped countries in this present world, only the difference in its magnitude and type of it. It is a worldwide phenomenon and, however it differs in its magnitude from one country to another.

In case of Nepal, which is a small landlocked and agricultural country, suffers from the problem of mass poverty and unemployment. High population growth rate and increasing dependency of the backward agriculture may be attributing for its slow growth rate. Among them mass poverty is the main characteristic. Poverty can be defined in two ways: (a) Absolute poverty and (b) Relative poverty. The situation where individuals can't afford the minimum requirements like feeding, lodging and clothing is called absolute poverty. In order to measure absolute poverty, minimum requirements or basic need goods are defined at first. And then the amount of money needed for buying minimum requirement goods is calculated. Persons who can't expenses that amount are classified as absolute poverty. But relative poverty is not the study of affording minimum goods. In fact it is equally or inequality of income distribution. Relative poverty exists when lower group holds higher amount of income and vice versa.

In Nepal context, poverty can be discussed in two aspects, one is based on per capita income and another is basic needs approach. Defining poverty with the per capita income approach. Nepal, GNI per capita is US\$ 395 in FY 2063/64 and US\$ 742 in FY 2068/69 (MoF. 2068/69). The population receiving less than \$1 per day. The report published by Asian Bank in 2010, 24.1% Nepalese earn less than \$1 per day. The report published by Asian Bank in 2010, tells that more than 50% people earn less than \$1.25 per day. However government officials of Nepal deny this data. Another approach: Basic needs approach, poverty is defined as the unavailability of basic requirements like clothes, shelter and food. As for example: a person needs average daily intake of 2256 calories



and value of the lowest actual daily consumption of other basic necessities. If any person can't get that required amount of calories, he/she can be rated as poor. Due to the very high level of poverty, the social index of Nepal is also very low in comparison to the world level. Although the foreign investment is one of the main source of development of any economy, because of the lack of sufficient policies and infrastructures the role of foreign investment in Nepal is not satisfactory.

In this present situation remittances is playing very vital role to reduce poverty level of Nepal to the downward ranges, especially in rural areas where there is no other opportunities to earn and get employment without agricultural sector. We have achieved some mentionable outcomes in the field of social sectors like education, health, life expectancy because of continuous flow of remittances. But due to the lack of proper government policy to encourage the remittance income in the productive sectors: almost 80 percent of the remittance money is used in the unproductive sectors like house building, land buying and other luxurious goods purchasing. In addition to this, in this context we shouldn't forget that the flow of remittances is causing income inequalities in Nepal. The people who are migrated to other countries for work and earn money are certainly helping to reduce poverty level of rural areas.

Along with agricultural which contributes more than 30 percent of the GDP, remittance and the service sector have emerged as major contributors to GDP. Remittance has contributed significantly to the reduction of poverty in the last 15 years. The second living standard survey had sighted remittance as the major contributor behind the decline in people living below poverty line from 42 percent to 31 percent.

The one and only source of economic stabilization and growth rate maintenance is the income from remittance. According to CBS, Nepal's per capita income is increased to the US \$311 from \$240, which is only to the increasing trend of remittance income. As a share of its GDP, Nepal was the third largest recipient of remittance in 2014 (Migration and Development brief by WB).

## Remittance Received in Nepal

According to the current data of World Bank,

Country Name	2010/11	2012/13	2014/15
Nepal(in billion)	\$2.59	\$3.5	\$5.9

Daily remittance inflow is RS. 2.10 billion. But after earthquake remittance inflow is increased by 20 percentage for few months. In 2015, Nepal received remittances from around 35 countries. The highest remittance inflows were from Qatar (\$2.02 billion) followed by Saudi Arabia (\$1.8 billion), India (\$1 billion), UAE (\$803 million) and United States (\$332 million). Qatar and Saudi Arabia absorbed about 124368 and 98246 respectively in 2015. Malaysia was the most popular destination with 202828 migrants in 2015, but the remittance inflows from Malaysia are lower than from other destinations (\$185 million).

## Remittance Received (% of GDP) in Nepal

According to the current data of World Bank, Nepal's remittance contribution to GDP is in increasing order. When we analyze the trend from 2010-2015, it seems like this:

Country	2010	2011	2012	2013	2014	2015
Nepal	21.6	22.3	25.4	29.0	29.2	29.1

The trend seems increasing and it is because of the fact that thousands of Nepali are going outside of the country per day. From an economic point of view, the economy of the country is also borne by remittance as 29.0 GDP is being contributed by the remittance which is indeed the good part.

## 1.2 Statement of the Problem

In this twenty first century the age of globalization has become a milestone of development for any developing country. The prevailing political instability, political unrest, growing unemployment all over the country there has been increasing trend of foreign employment. Remittance has played a vital role in poverty reduction. Various reports and planning documents published in recent times have attributed the dramatic fall

in absolute poverty to the flow of remittance of Nepal. According to NLSS (Nepal living standards survey – III) the percentage of all households receiving remittance in Nepal during the year 2010/11 was 55.8 percent. This is a sharp rise from the year 2003/04 when it stood at 31.9 percent. There has been an 18 percent decline in absolute poverty in the six years between 2003/04 and 2009/10. Therefore foreign employment is a major economic phenomenon in Nepal and its relation to the economic growth of the country.

Remittance provides food security, shelter, clothing and other basic needs. Many recipients of remittance especially in rural areas have highly variable incomes. Remittance are emerging as a new way for alleviating poverty in the developing and least developed countries. Due to unhealthy investment environment in the home country, remittance has not been used productively. According to NLSS – III presently 78.9 percent of remittance money is used for daily consumption while only 2.4 percent is being used in productive sector. 7 percent is used for loan repayment, 3 percent is used for social work and only 9 percent is for saved. The house of migrant workers have been modernized replacing thatched roof with steel roofs. Access to power has substantially increased too so are the households with safe drinking water, toilets and LPG for cooking. Consumption expenditure on food, housing and education has increased resulting in a rise in the living standard. So this study seeks to assess the impact of remittance in rural poverty reduction.

This study tries to show the importance of remittance in rural development as well as Nepalese economy. Remittance will contribute for the economic development if it is utilized in productive sector. If we concentrate on the poverty situation of our country, its magnitude is very large especially in the rural areas. Most of the people are migrated to the other countries for work and earn only for the existence of their family. In rural areas we can find that most of the lower and middle class families are drowned in debt. If any member of that family is migrated to other countries, the family usually gets rid of debt. So remittance income is playing very vital role in the rural economic situation.

Maximum amount of remittance are used for basic needs such as food, clothing and shelter. They are also use for improving housing, buying land cattle, durable consumer goods and expenses on social cultural ceremonies, loan repayment, family health and education. The remittance has contributed remarkably in the promotion of socio-

economic condition of Nepalese societies but it has not yet been systematically estimated. This study designed to address the following research tries to analysis what was the role of remittance in Pipaltari VDC In this regard thus study is designed to address the following questions, which are related to remittance and its proper economic use:

- What is the trend of remittance in Pipaltari VDC?
- How remittance helps to improve their living standard in Pipaltari VDC?
- How remittance income used by household?

### **1.3 Objective of the Study**

The main objectives of the study is to examine the role of remittance in rural poverty reduction of the study area. The specific objectives of the study are:

- (a) To analyze the impact of remittance in rural livelihood.
- (b) To assess the contribution of remittance in poverty reduction in the rural area.
- (c) To identify the use of remittance.

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

Studies have shown that remittance is playing very importance role to reduce poverty and uplift living standard in rural area of our country. Especially in those area of Nepal where there is limited job opportunity to earn money to fulfill their basic needs. This study is very significant to those (professional, students, teacher etc.) who want to know about the remittance and its role in rural poverty reduction.

In this time the remittance income is playing very important role to reduce the poverty in the rural areas of our country Nepal. Especially in those areas of Nepal where there is no any opportunities to earn money to fulfill their basic needs except the agricultural sector. But the productivity of the agricultural sector is very low. The people of the rural areas work for all the year but hardly get food even for six months. This study will also concentrate on the role of remittance in rural Nepal and guide to make it more helpful in eradicating rural poverty and increasing the capacity of the labor force. The economic indicators will help to plan rural area.

If we try to analyze the present manpower of Nepal about 70% of the educated manpower is migrated for work some of them are coming back to Nepal and some of them are settling there forever but all of them are sending money from there to their family and relatives. So the remittance is coming from all over the world to Nepal where the Nepalese people are migrated. Certainly that amount of remittance is helping Nepalese economy to reduce poverty level. When we compare the poverty level as well as the living standard of the migrated family and non migrated family the migrated people's family is in high condition of living standard or they are feeling very comfortable to fulfill their basic needs for their existence.

The research finding may also be valuable for the government and policy makers to make remittance policy and implementation. This study or research helps to know about the use of remittance in study area. Finally it will support the future researcher to make more research out of it.

## **1.5 Limitation of the Study**

This study is a macro level study of Pipaltari VDC of Parbat district. Every study carries some limitation which is unavoidable. The main limitation of the study as follows:

- The present analysis is concentrated in particular area of Pipaltari VDC Parbat District.
- This study is based on sample size of study area, it may not be helpful to make general conclusion.
- This study emphasize only the role of remittance in poverty reduction.
- This study is the indicative rather than all inclusive so the generalization could not be applied to the whole nation.

## **1.6 Organization of the Study**

This study has been organized in fifth chapters. The first chapter is introductory chapter, which includes general background, statement of problem, objectives of study, significance of study and organization of study. The second chapter is review of literature which mainly concerned with theoretical an empirical review. The third chapter explains the research methodology in the present study. The fourth chapter contains data analysis and interpretation. The fifth chapter contains findings, conclusion and the suggestion.

## **CHAPTER II**

### **LITERATURE REVIEW**

In general review means a looking back on retrospective view of survey, as past event of experience. So that every scientific research must be based on past knowledge. The previous studies cannot be ignored because they provide the foundation for present study. So in this chapter contain review of the relevant literature found by the published book, journals, articles, thesis, newspaper, websites and previous theoretical and empirical research work which are related to support the present study.

#### **Theoretical Review**

Historically, Nepalese people established their business and work with the neighbouring countries like Tibet, China and India. In Lichhavi period, promoted Nepalese arts and popularity by Bhirkuti in China and many artists designers worked there. Artistries Araniko invited by Kuble Khan for the constructing temples and Stup as in China. These histories shows that at the Nepalese were working in neighbouring countries and sent the earned amount to their motherland. At that period, Nepal was rich for culture, arts, heritage and also economically Malla regime too. Nepalese carried on the job continuously focusing trade between neighbouring countries.

It is found that the origin of Nepalese emigration be after the Anglo-Nepal war is 1914 and was totally for recruitment purpose. The Indian authority was not only open to them but also manage for their permanent settlement. The prime minister Bir Samser. JBR for the first time relaxed the policy and encouraged the people to join in the British regiment ever during the First World War. The Anglo-Nepal convention held on 15<sup>th</sup> May 1815 created alternative labor market to the Nepalese and India. The emigration to India accelerated because of opportunities growth and miserable day to life of Nepalese in hill area (Kansakar, 1993).

Revenstein (1985) was the first person to attempt forming migration theory. Revenstein's law of migration is also known as push-pull factor of migration, still predominates as

framework of migration analysis, push factor are: land tenure system, unfavourable form of trade, wide dispersion of poverty and income, pressure of rural poverty in income, pressure of rural poverty in general and so on. Pull factor are employment, education and other facilities are opportunities known as 'bright light' of the towns. On the other hand push factor migrant from their place and origin and on the other hand pull factors migrant to place of destination.

Remittance business is created by the foreign employment that has the long experience in Nepal. For the foreign employment Nepalese people are engaged before some centuries. The Nepalese people were earned "Brave Soldier" in the history of the world before some decades. Nepalese people were earned a name and fame for the fighting and victory in the war so that they are called as "Bir Gorkhali". Due to that reason, the demand of Nepalese people for the foreign soldier was highly attractive in the past time so they earned money in the foreign countries and brought in Nepal. The common name of Lahore is called to Nepalese people because they employed and earned money in Lahor which is in Pakistan now. Some of the Nepalese were earned money in Malaysia so they were called "Malayako Lahore". (Source: [www.nepalnews.com/np/ntimes/issues169/economy](http://www.nepalnews.com/np/ntimes/issues169/economy))

According to Parask Kharel remittance from abroad have contributed to poverty reduction. The headcount poverty ratio has declined by 30 percent points in the 15 years period 1995/95 – 2010/11 or by an average of 2 percent per year. Increased worked related migration (Internal and International) and remittance sent home are estimated to have directly accounted for 20 percent of the reduction in poverty between 1995/96 and 2003/04, with international migration contributing about 14.5 percent (Loksin et al. 2007) interestingly the elasticity of poverty reduction is significantly higher for domestic migration than it is for international migration. Indicating the potential importance of domestic migration in poverty reduction . Increase in non-agricultural incomes (through increase in remittances-induced demand) and agricultural wages (through tightening of the labour market) role of poverty reduction could be still greater if economy wide impacts and multiplier effects are taken into account.

According to Jayaraman, T. K. choong and Kumar Ronald remittance are defined as private income transfer from one or more family members living and working abroad back to the remaining family unit in the home country (Chami et al 2006). Inward

remittance reduce poverty by enabling the recipient families to increase consumption (Buch and Kuckulenz 2004 : Maclellan and Mares 2005 and Ratma 2007).

Remittance spent on expenditures beyond daily consumption enhance productive capacities of the economy thereby contributing to economic growth. In regard to poor households they help in developing human capital by contributing to education and healthcare needs and foster entrepreneurial development through investment in business especially during economic crisis and natural disasters. (UN ESCAP 2010). A recent study by Browne and Leeves (2007) or Tonga shows that remittance helped households increase their income as well as expenditure leaves and their patterns as well.

According to Chandan Sapkota around two or five million Nepalese workers are working abroad. Officially recorded new migration increased dramatically during the last decade from 36,000 in 1999/2000 to 229,000 in 2007/08. Unofficial estimates of stock of Nepali migrant range from 400,000 in Malaysia 300,000 in Qatar 60,000 – 70,000 in South Korea and 2 to 5 million to India. 125,000 – 275,000 Nepali migrants are estimated to be working in U.A.E. of which half are in construction, hospitality, tourism and security and estimated one third of male population are working abroad. It constituted 17 percent of GDP in 2008 (\$ 2.3 billion) remittance also have large multiplier effects on sectors such as construction cement and furniture migration played a crucial role in reducing poverty between 1994 and 2004. The WB estimates it to contribute between one fifth to one-half of the decline in poverty within South Asia, remittance as a share of GDP is highest in Nepal.

Seddon in his report (2003) the major portion of the remittance is used for meeting household consumption and paying off loans borrowed to go abroad. Remittances are used for meeting daily necessities like food, clothing and payment of debt and interest. The survey done by department of women development under ministry of women, children and social welfare on employment of women (2003) found that families were living out of remittance money and remittance was helping to prevent more people from falling below poverty line. Use of remittance for the improvement of the living standard is referred to by several studies. Improvement in living standard includes housing improvement, higher expenditure on food, on personal items, domestic equipment and other consumer durable.



Remittance means transferring of money from one place to another. Remittance is the amount transferred by workers abroad to support their families back home. Euphemistically, present day Nepalese economy is characterized by "Remittance Economy". Its genesis starts from right from the beginning of world war in which Nepalese fought not for the protection of their homeland but in course of fulfilling duty in which they are engaged. At the time of British rule in India. Those days when "Nawabs" of Lucknow were watching helplessly the loot of their huge wealth. The possessions thus received went to the treasury of the rulers but the salary of the soldiers received formed the part to support their families. Remittance business is created by the foreign employment that has the long experience in Nepal. For the foreign employment that has the long experience in Nepal. For the foreign employment Nepalese people are engaged before some centuries. The Nepalese people were earned "Brave Soldier" in the history of world before some decades. Nepalese people are earned a name and fame for the fighting the victory in the war so that they are called as "Bir Gorkhali". (NRB report, 1997)

According to a study conducted by Prof. Seddon, Jagannath Adhikari and Ganesh Gurung entitled "Foreign Labor Migration and the Remittance Economy of Nepal" for DFID (Department for International Development of the British Government) in the year 2005, nearly Rs 69 billion was remitted by the Nepalese working in foreign countries in 1997. Of this nearly 40 billion came from an estimated one million Nepalese working in India whereas the rest (nearly Rs. 29 billion) came from people working in other parts of the world.

According to the report, the recorded value of money sent back from abroad more than doubled, from 1974 / 75 (Rs. 90.7 million) to 1980/81 (Rs 216.8 million). Over the next decade, the official value of foreign remittances increased three fold, to reach Rs. 676.8 million by 1989/90. By the middle of the 1990's , the value of officially recorded remittances from abroad was around Rs. 2.9 billion, of this, "Gurkha Remittances" accounted for between a quarter and a third.

**(Source: [www.nepalnews.com.np/ntimes/issue169/economy](http://www.nepalnews.com.np/ntimes/issue169/economy))**

The Government of Nepal has opened 108 countries (Iraq is banned in present time) for the foreign employment of Nepalese labour which is listed in the table below:

**Table: 1****Name of the Countries Legally Open for Nepalese Labour**

<b>S.N.</b>	<b>Country</b>	<b>S.N.</b>	<b>Country</b>	<b>S.N.</b>	<b>Country</b>
1.	Afghanistan	37.	Guana	73.	Nicaragua
2.	Albenia	38.	Holysee	74.	Nigeria
3.	Algeria	39.	Hongkong	75.	Norway
4.	Argentina	40.	Hungary	76.	Oman
5.	Armenia	41.	Iceland	77.	Pakistan
6.	Australia	42.	Indonesia	78.	panama
7.	Austria	43.	Iran	89.	Peru
8.	Azerbaijan	44.	Iraq* (banned)	80.	Poland
9.	Bahrain	45.	Portugal	81.	Portugal
10.	Bangladesh	46.	Israel	82.	Qatar
11.	Belarus	47.	Italy	83.	Republic of Korea
12.	Belgium	48.	Japan	84.	Republic of Slovak
13.	Bolivia	49.	Jordan	85.	Rumenia
14.	Bosnia Herz Govina	50.	Kazakhstan	86.	Russia
15.	Brazil	51.	Kenya	87.	Saipan
16.	Brunei Darussalam	52.	Kosovo	88.	Saudi Arabia
17.	Bulgaria	53.	Kuwait	89.	Singapore
18.	Canada	54.	Laos	90.	Slovenia

19.	Chile	55.	Latvia	91.	South Africa
20.	China	56.	Lebanon	92.	Spain
21.	Columbia	57.	Libya	93.	Sri Lanka
22.	Cambodia	58.	Luxzemburg	94.	Sweden
23.	Costarica	59.	Macau	95.	Switzerland
24.	Croatia	60.	Malaysia	96.	Sychelese
25.	Cuba	61.	Maldives	97.	Tanzania
26.	Cyprus	62.	Malta	98.	Thailand
27.	Czech Republic	63.	Mecedonia	99.	The Philippines
28.	Denmark	64.	Mexico	100.	Tunetia
29.	Egypt	65.	Moldova	101.	Turkey
30.	Estonia	66.	Mongolia	102.	Uganda
31.	Fiji	67.	Moritius	103.	Ukrain
32.	Finland	68.	Morocco	104.	United Arab Emirate
33.	France	69.	Mozambique	105.	USA
34.	Germany	70.	Myanmar	106.	Venezuela
35.	Great Britain (UK)	71.	Netherland	107.	Vietnam
36.	Greece	72.	New Zealand	108.	Zambia

**(Source: Government of Nepal, Department of Foreign Employment, 2012)**

According to Department of Foreign Employment, Government of Nepal in between the FY 1994 / 95 – 2011 / 12, total number of Nepalese who went to work abroad is 2465699,

among them 773940 people went to Malaysia (highest), 690395 people opted to go to Qatar (second highest) and 64219 people went to Kuwait (third highest). Similarly in the present FY 2012 / 2013, at the end of July, 49448 people went to work formally in different countries among them 48088 people are male and 1360 people are female.

Above data shows that the trend of going to work in foreign country is increasing yearly so that we see the positive and increased changes in the amount of remittance coming to Nepal. The outlook for remittance flow 2012 – 14 estimates that Nepal will receive around US \$ 400 million worth of remittances from its overseas workers in 2013/14, making remittances stand at 20 percent of country's total GDP.

Besides traditional sources like salaries and pensions of Gurkha soldiers servicing in the British and Indian Army, thousands of Nepalese. Some of them engaged in three "D" jobs (that is Dangerous, Dirty and Difficult) are sending billions of rupees back home. This has emerged as a vibrant sector of the country's economy.

**(Source: [www.nepalnews.com.np/ntimes/issue 169/economy](http://www.nepalnews.com.np/ntimes/issue%20169/economy))**

Poverty is the well known major problem of all over the world. Especially for the countries like Nepal is the burning issue. Various economists and institutions in the context of the world had conducted many studies and researches but only few researches have conducted in the context of Nepal to fulfill the required amount of information about the role of remittance income to reduce the rural poverty in Nepal. In this sense we can address the rural poverty as the overall poverty of the country because most of the people of rural area are under the poverty line.

For this purpose first of all we have to define the word poverty. The word poverty is defined by so many economists in their own words like:

The first attempt to define and quantify the level of poverty of Nepal was made by National Planning Commission (NPC) in 1976 – 77 through a survey on Employment Income Distribution and Consumption Patterns, the minimum subsistence level of poverty line. An income of Rs. 2 per capita per day at 1976 – 77 prices was taken as the minimum subsistence level. This out off level was based on the expenditure required to buy food, giving average daily intake of 2256 calories and value of the lowest actual daily

consumption of other basic necessities. This criterion at that time has given a poverty estimate of 40.3 percent (Meeting the Challenge 1992). This emphasizes the existence of severe poverty in South Asia block. It has used various social indicators to analyze and compare the level of poverty in SAARC countries the major social indicators used for analysis are population, population education enrollment, income level, employment status, expenditure level etc.

The research report of NRB (2006) conducted by the Special Study Section of NRB entitled "Foreign Employment, Remittance Economy and Nepal" states that the migration of Nepalese workers started after 1816's peace treaty between Nepal and Britain. Most of the people of that time are migrated to work in the British Regiments. This study examines about the historical perspectives, present condition. The trend and dimension of remittance, the problems associated with the remittance and its measurements, the use of the gained money as well as the skills, the investment pattern of that remittance and also the employment condition of the people returned from the foreign employment. It also examines about the Nepalese foreign employment system and its objectives with other questions related with the remittance. This study concludes that apart from India, about 86 percent of the people are migrated to Gulf Countries like Malaysia, Saudi Arab, Qatar, Dubai, etc. Rest percent are migrated to the other countries of the world. This study examine about the role of manpower agencies in the field of foreign employment. This study concludes that even though the role of manpower agencies in obtaining work permit, government acceptance letter, tickets etc is very helpful but most of the manpower agencies of Nepal are looting the people in the name of foreign employment.

This research report found in it's conclusion that the main problems of this foreign employment are lack of proper technical as well as the practical knowledge about the works which he/she had to perform in that countries, lack of required information and the help from the manpower agencies, problem of languages, culture and habitual activities, lack of the safe and reliable financial institutions to send money from abroad, lack of required social as well as economic equalities between the local workers and the Nepalese migrated workers, the problem of capital loans and management of that capital which is required for the processing and the tickets for foreign employment apart from those after reaching to the destination countries the Nepalese workers are facing so many problems like not getting that proper work which was promised in Nepal, retirements before the

agreement time, not getting the salary in time, unnecessary reduce in the salary, not getting the minimum wage level also, not getting bonus and other facilities available from the company, extended work time without extra salary or over time salary etc.

According to the analysis of the data obtained from this research the main conclusions about the remittance income and its trend are as follows:

- Most of the migrated people are from the agricultural sector and livestock sector (61.3 percent) where they can't get the required amount of money and food from their profession for their existence.
- Among the migrated people most of the people are earning more than Rs. 50,000 per year, about 28.8 percent people are getting from Rs. 50,000 to Rs. 1,00,000, about 12.5 percent people are getting from Rs. 1,00,000 to Rs. 15,00,000 and about 31.9 percent people are getting more than Rs. 15,00,000 from abroad migration.
- Among the migrated people most of the people are migrated to India (24 percent), Saudi Arabia 16.3 percent, Qatar 6.88 percent, United Arab Emirates 5.6 percent and only 1 percent to 5 percent people are migrated to the other developed countries like Japan, Germany and America, etc. Most of the migrated people are in the age of between 26 years to 40 years (60 percent), 20 percent people are above age 41 years and 16 percent are below 25 years. This clearly shows that, most of the migrated people are young.
- About 80 percent of the migrated people are using their money for purchasing of house and land, for household expenses, for buying ornaments and other luxurious goods, education of their child etc. which is used in the unproductive sectors.
- Most of the migrated people are getting the salary of Rs. 10,000 to Rs. 75,000 and some of them are also getting more than Rs. 75,000. The study shows that about 49.9 percent people are getting up to Rs 10,000, about 20.6 percent of the people are getting from Rs. 10,000 to Rs. 25,000, about 13.8 percent of the migrated people are getting up to Rs. 50,000, about 16.2 percent of the people are getting more than Rs. 50,000.

- While comparing the status of income and work of the migrated people to India with other countries it is clearly seen that, most of the people migrated to India are absolute poor, they are in the problem of fulfilling their basic needs and they are uneducated and unskilled labor whose salary is relatively very low. Whereas the people migrated to the other countries are very much educated and their salary is relatively very high comparing to those people. In other words, the people who can't pay expenses for the other countries are going to India for work.

This research report also has some suggestions and recommendation for the improvement of the foreign employment sector as well as to raise the productivity of the remittance income. Which are like, the government should be clear about the agendas related to the foreign employment, the line agencies of government and other private sectors and non-government organizations also should be clear about the foreign employment policy of Nepal. There should be a good cooperation between Ministry of Finance, Nepal Rastra Bank, Department of Labor, Central Bureau of Statistics and Department of Tourism. There should be a strong policy to increase the investment form that remittance income in Nepal. The government should open the labor offices in the countries like Malaysia, Qatar, UAE, etc. where more than 5,0000 Nepalese people are migrated for work. The present system of brokers in the foreign employment sector should be replaced. There should be strong observation to the foreign employment agencies about whether they are following all the rules and regulations of the Government as well as the "Foreign Employment act – 1992", which has fixed the minimum wage is US \$ 1.25. There should be foreign employment information centres in all the regions of the country to give actual suggestions and recommendations to the people who want to go for foreign employment.

Nepal Living Standard Survey (NLSS – 2010/11) has defined remittance as a transfer income received by a household within last 12 months. All incomes transferred from a single source (individual / household) is counted as one remittance. According to the survey, the proportion of all households that receive remittance is 56 percent in Nepal. The average income transfer in the form of remittance is R. 80436 (in nominal terms) per recipient household. Per capita nominal remittance when the whole population is considered stands at NRS. 9245.

According to the survey following table is presented as a comparison of remittances between the years 1995 / 96, 2003/04 and the year 2010 / 11.

**Table: 2****Summary Statistics of Remittances**

<b>Description</b>	<b>Nepal Living Standard Survey</b>		
	<b>1995/96</b>	<b>2003/04</b>	<b>2010/2011</b>
Percent of all households receiving remittances	23.4	31.9	55.8
Average amount of remittance per recipient household (nominal NRs.)	15.160	34,698	80436
Share of remittances received by household from within Nepal	44.7	23.5	69.1
From India	32.9	23.2	30.9
From other countries	22.4	53.3	9245
Share of remittances in total household income among recipients	26.6	35.4	2,59,0088.5
Per capita remittance amount for all Nepal (nominal NRs.)	625	2,100	
Total amount of remittance received (nominal NRs.)	12,957,840,907	46,365,466,726	

*(Source: NLSS, 2010/11, vol. 2)*

According to the survey, remittance flows from internal and external sources. A majority of remittance (58) percent) come from within the country, followed by India (19 percent) and other countries (23 percent).



NLSS estimates that the total amount of remittance in the country in Rs. 259 billion in nominal terms. Internal source accounts for 20 percent of this amount. Gulf countries (especially Saudi Arab and Qatar) together account for 26 percent, Malaysia 8 percent, India 11 percent and the remaining 35 percent is accounted by other countries (table). Of the total remittance, 77 percent of remittance are transferred by person, 19 percent via financial institutions, 3 percent *via Hundi* and 2 percent by other means. The majority of the remittances are brought in by "self" (by the donar himself/herself) in case of internal sources whereas financial institutions are the main media for external sources except India. The majority of remittance are sent through financial institutions from these countries: Malaysia (81 percent), Saudi Arab (73 percent) and Qatar (64 percent).

**Table: 3**

**Distribution of Number of Remittances by Means of Transfer and Origin of Remittance**

Source of Remittance	Means of Transfer						Total
	Financial Intuition	Hundi	Self	Friends	Family member/ other relatives	Other	
Urban Nepal	4.6	1.6	76.6	8.4	6.0	2.9	100
Rural Nepal	2.0	0.3	87.7	3.3	4.9	1.8	100
India	8.5	1.8	52.5	27.4	7.1	2.7	100
Malaysia	81.0	7.4	4.9	3.3	3.4	0.0	100
Saudi Arabia	72.6	3.8	11.1	7.3	4.4	0.9	100
Qatar	63.9	11.6	13.2	8.5	1.7	1.2	100
UK	41.5	5.4	21.6	15.1	12.0	4.4	100
Other Country	61.3	5.5	16.4	11.2	4.3	1.2	100
Donor Agency	0.0	0.0	100.0	0.0	0.0	0.0	100
Nepal	18.9	2.5	61.5	9.9	5.2	2.0	100

(Source: NLSS, 2010/11, vol. 2)

Perhaps a better indicator of source shares is by size of transfer incomes. the survey summarizes number, size and share of remittances by source also. NLSS II estimates that the total amount of remittance received in the country is Rs. 259088477460. This is summarized in the following table:

**Table: 4**  
**Number, Size and Share of Remittances Received by Source**

<b>Source of Remittance</b>	<b>Number of Remittance Received</b>	<b>Mean amount of remittance received (Rs)</b>	<b>Total amount of remittance received (Rs)</b>	<b>Share of remittance amount received (%)</b>
<b>Internal</b>				
Urban Nepal	1024	25454	25713539244	9.99
Rural Nepal	1923	12127	25172505886	9.7
<b>External</b>				
India	919	29499	29197865119	11.3
Malaysia	223	93474	21776508833	8.4
Saudi Arabia	221	108561	25770996309	9.9
Qatar	322	115794	41327887124	16.0
UK	70	164842	7719576662	3.0
Other Country	446	224609	82362803100	31.8
<b>Other</b>				
Donor Agency	3	16547	46795183	0.0
<b>Nepal</b>	<b>5151</b>	<b>58335</b>	<b>259088477460</b>	<b>100</b>

*(Source: NLSS, 2010/11, vol. 2)*

This report also shows that the two most reported use of remittances received are "for daily consumption" and "for repaying loans". About 79 percent of the total remittances received by the households is used for daily consumption while 7 percent is used for loans repayment. Other uses are – to acquire household property (5 percent) and for the education (4 percent). Only a small percentage of the remittance (2 percent) is used for capital formation and the remaining (3 percent) is used for other purposes.

Nepal Living Standard Survey (NLSS – 2010/11, Volume 2), (CBS, 2012) has defined remittance as a transfer income received by a household within last 12 months. All incomes transferred from a single source (individual / household) is counted as one remittance. According to the survey, the proportion of all households that receive remittance is 56 percent in Nepal. The average income transfer in the form of remittance is Rs. 80436 (in nominal terms) per recipient household. Per capita nominal remittance when the whole population is considered stands at NRs. 9245.

According to the survey, remittance flows from internal and external sources. A majority of remittance (58 percent) come from within the country. Followed by India (19 percent) and other countries (23 percent).

NLSS 2010/2011, (CBS, 2012) estimates that the total amount of remittance in the country is Rs. 259 billion in nominal terms, internal source account as for 20 percent of this amount. Gulf countries especially Saudi Arab and Qatar together account for 26 percent, Malaysia 8 percent, India 11 percent and the remaining 35 percent is accounted by other countries. Of the total remittance, 77 percent of remittance is transferred by person, 19 percent via financial institutions, 3 percent via Hundi and 2 percent by other means. The majority of the remittance are brought in the self (by the donar himself / herself) in case of internal sources whereas financial institutions are the main media for external sources whereas financial institutions are the main media for external sources except India. The majority of remittance are sent through financial institutions from these countries: Malaysia (81 percent), Saudi Arab (73 percent) and Qatar (64 percent)

NRB, collected the information of family members, working abroad and remittance sent by them, also collected the data on Utilization of remittance. The total amount of remittance received by the households, 49 percent amount was used in buying land and house. Likewise repayment of debt accounted for 25 percent of the total amount received.

Households kept 11 percent of the received amount in bank as a saving 9 percent of the amount was used in education, health and other and 1 percent of the amount was kept as cash in hand.

Regmi K. (2007) has studied entitled Role of Remittance in Poverty level of Khilung VDC of Syanja District. He had noted down his finding as the larger amount of remittance income has been used for household expenses (97%), loan repayment (69%), investment only of 26% and social spending (23%). Minimum part of remittance has been used into productive sector like as land purchase (20%), bank deposited (14%) and other small business and investment (10%). In this case, the respondents from Brahmin and Kshetri are forward. Similarly he wrote the causes of not utilized in productive sector of remittance is conflict and non-availability of sizable investment funds for investing productive sector. Lastly he had noted down the respondents of this VDC said that remittances have increased their household economic and social indicators after returning from foreign employment. Around 69 percent respondents said that remittance have increased their economic status, 57 percent of the respondents said that remittance income have increased their standard of living, around 73 percent of the respondents social attitude have increased due to remittance income around 82 percent of the respondents increased their skills but around 23 percent respondents said that economic status has been same, 40 percent have remained same standard of living, 27 percent said that their social status have remained same and 18 percent said that remained same level of their skill after returning from the foreign employment.

Remittance has played a vital role in poverty reduction. Various reports and documents published in recent times have attributed the dramatic fall in absolute poverty to the inflow of remittance in Nepal. The percentage of all households receiving remittance in Nepal during the year 2010/2011 was 55.8 percent. This is sharp rise from the year 2003/04 when it stood at 3.19 percent. There has been an 18 percent decline in absolute poverty in the six years between 2003/04 and 2009/10. Therefore foreign employment is a major economic phenomenon in Nepal and its relation to the economic growth of the country is integral. (NRB, QUATERLY ECONOMIC BULLETIN, mid April, 2013).

As a summary it is clear that national GDP growth rate is directly related to the various factors like total saving of the economy and total investment of the economy. On the

other hand, saving is the determinant of the investment, without which the economy can't get higher GDP growth rate. The investment of the country like Nepal is directly dependent on the remittance inserted into the economy. Therefore we can say that remittance is the major factor of the development of the country like Nepal. (NRB, QUARTERLY ECONOMIC BULLETIN, mid / April 2013).

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

This study is the case study of Pipaltari VDC of Parbat District. It is a micro level study. This is analytical as well as descriptive type of research design. The objectives of the study was to describe the role of remittance in rural poverty reduction in Pipaltari VDC of Parbat District.

This study was an attempt to describe the present practices of rural livelihood and explore the factors determining use of remittance.

Besides, the study was focused on analyzed the factors affecting use of remittance in rural areas thus this study is both descriptive and analytical research design. The simple statistical tools are used to describe and analyze the results.

#### **3.2 Rationale of the Selection of Study Area**

Remittance has emerged as an important source of income of Pipaltari VDC, Parbat District. So present study was carried out in this VDC. The researcher himself is the local inhabitant of this VDC. So he is familiar with the local cultural and practices. Since last decade the rural live hood is getting changed in this VDC. No one has researched in this topic before in study area. This is the reason to select this area.

#### **3.3 Natural and Sources of Data**

This study entitled "Role of Remittance in Rural Poverty Reduction" is the case study of Pipaltari VDC of Parbat District. The study is based on the primary data collected from the field. The required data has been collected from the field study of the researcher himself as well as some data about remittance has taken from the secondary sources which may be both published as well as unpublished. The required data has been collected by using the questionnaire. The collected data has been processed according to the need of the objective of the study.

### **3.4 Universe, Sample and Sampling Procedure**

The total number of households of the study area is 623 and the total population is 2407(male-1076,female-1331)as recorded in the households survey 2011. Among these households 520 households are involved in foreign migrant workers. Out of these households 50 households were selected from 9 wards by applying purposive sampling method.

### **3.5 Techniques and Tools of Data Collection**

This research was conducted by employing various methods for data collection. Both primary and secondary data were collected. The researcher himself collected the data from the respondents by conducting the questionnaire survey with family of the local people receiving remittance. For the collection of primary data following data collection techniques was adopted.

#### **3.5.1 Questionnaire Survey**

Structured questionnaire was prepared to generate the realistic and accurate data from study area. The respondent were requested to fill up the questionnaire. In case of the respondent who could not fill up the questionnaire, the questions will be asked to the respondent and answer were filled up to collect the required data. In the absence of household head, another senior person present at the home was taken as the respondent. The data were collected through formal and informal interviews using structured and open and closed end questions.

The prepared questionnaire includes both types i.e. open ended and close ended in order to acquire reliable information by making the respondent comfortable and ease to provide the information.

#### **3.5.2 Focus Group Discussion**

The focus groups discussion were held with the active participation of foreign employment households members.

### **3.5.3 Key Informant Interview**

The primary data were also collected from semi structured interview. The interview was taken as cross checking for data obtained from questionnaires. The questionnaire are the person whose are re-known about the remittance such as bankers and intellectual. The number of key informant is five. Interview is the main tool which is used for data collection. The questionnaire is mainly focused on impact in rural livelihood, poverty reduction and utilization of remittance in rural development.

### **3.6 Data Analysis**

To analyse the generated data the help of calculator and computer was used and simple statistical tools like table and diagrams were used for data analysis. Data was studied comparatively to get required results about the efficiency of that remittance income and the effect of that remittance income in the research area.



## CHAPTER IV

### DATA ANALYSIS AND INTERPRETATION

In this chapter the data which were collected during the field survey, are showed in different tables and diagram. Mainly primary data are used in this study and these data are analyzed in this chapter.

#### 4.1 Study Area

Among the 55 VDC of Parbat District, Pipaltari VDC is one. The headquarters of this District is Kusma. This VDC is located in south east part of headquarter. It is only 5 km far from headquarter. According to housing census 2011 the total HHS of the VDC is 623 with the total population of 2407 with male 1076 and female 1331. Different caste/ethnicity are lived in this VDC like; Brahmin, Chhetri, Sarki, Damaiaand Kami. According to 2011 census, allmost all the HHs are hindu. The study was undertaken at Pipaltari VDC of Parbat District. Total area of this VDC is 7.89 sq m.

#### 4.2 Age of Respondent HHs

In this section, age of respondent HHs has been analyzed which helps to know how many population and age group have been living in study area.

**Table 4.1**  
**Age of respondent HHs**

Age group	No. of respondent	Percent
1 – 10	25	7.87
10 – 20	40	12.62
20 – 30	60	18.93
30 – 40	82	25.87
40 – 50	45	14.19
Above 50	65	20.50
<b>Total</b>	<b>317</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that there are 25.87% people are 30 – 40 age group and 20.50% people are above 50 years. Whereas 7.87% people are under 10 years that table shows that there are more active population than inactive population.

### 4.3 Gender of Respondent HHs

In this section gender of respondents HHs has been included to show how many population are male and female.

**Table 4.2**  
**Gender of Respondent HHs**

<b>Gender</b>	<b>No. of respondent</b>	<b>Percent</b>
Male	162	51.10
Female	155	48.90
<b>Total</b>	<b>317</b>	<b>100</b>

*Source: Field survey 2016*

The table 4.2 shows the gender of respondent HHs. Among sample HHs 51.10% are male and 48.90% are female. That means in study area there are majority of male than female.

### 4.4 Ethnicity / Caste of Sample HHs

In this section ethnicity / caste composition is the components related with socioeconomic aspects. Different caste and ethnicity has own culture, practices which affect their daily life consumption patterns.

**Table 4.3**  
**Ethnicity / Caste of Sample HHs**

<b>Caste</b>	<b>No. of HHs</b>	<b>Percent</b>
Brahmin	20	40
Chhetri	3	6
Damai	7	14
Kami	5	10
Sarki	15	30
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

The table shows that out of total HHs Brahmin 40% are going outside as foreign migrant workers followed by Sarki 30% and Damai 14% respectively. Only 6% of the sample HHs were from Chhetri.

#### 4.5 Educational Background of Respondent HHs

Education is factors which directly and indirectly affect the people's perception and their understanding towards using remittance. The analysis of educational background is one of the important parts of research.

**Table 4.4**  
**Educational Background of Respondent HHs**

<b>Educational Background</b>	<b>No. of respondent</b>	<b>Percent</b>
Under SLC	150	47.32
SLC	40	12.62
Intermediate	112	35.33
Bachelor or above	15	4.73
<b>Total</b>	<b>317</b>	<b>100</b>

*Source: Field survey 2016*

Above the table shows that most of the 47.32% respondents are under SLC followed by 35.33% having intermediate education, 12.62% have SLC qualification and only 4.73% have bachelor education.

#### 4.6 Most Favoured Destination of Migrants

Foreign job seekers in Nepal go and work in several countries. The place of employment depends on level of education. The type of skill learned, the ability to bear the cost of employment and other several factors. Because Nepalese labour forces are unskilled, majority of them get employment in gulf countries. The destination of the employment showed their level of skill and income. So the destination was considered important and information obtained in the interview is presented in the table below:

**Table 4.5**

**Most Favoured Destination (Country)**

<b>Destination</b>	<b>No. of HHs</b>	<b>Percent</b>
Gulf country	30	60
European Country	2	4
Asian country	15	30
Others(USA,Canada,Australia)	3	6
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above the table shows that 60% HHs family members are migrated in Gulf countries 30% HHs family members are migrated in Asian countries, 4% HHs family members are migrated in European country and only 6% HHs family members are migrated in others countries. Most of the HHs select Gulf countries as a best destination because of less skilled, less education and less amount of investment for abroad.

#### **4.7 Reason for Migration**

Migration contains many reasons it may be either for seeking job opportunities or facilities. The reason might be economic, social or political. They may be related to the acquired skills and various other reasons. to find out the cause of seeking employment the respondent were asked to identify the prime causes to go for job opportunities and migration. They gave more than one reasons as presented in the following table.

**Table 4.6**  
**Reason for Migration**

<b>Reason</b>	<b>No. of Respondents</b>	<b>Percent</b>
Unemployment	10	20
Family debt	15	30
Conflict	8	16
To earn money	17	34
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that 34% respondents went abroad to earn money in the same way, 30% went because of family debt. Similarly, 20% went because of unemployment and 16% went because of conflict in our country. From the field study we can conclude that unemployment, family debt, earn money and conflict are the main reason for migration.

#### **4.8 Taking Loan from Different Sources**

Most of the rural people who went for foreign employment use several sources of financing the cost involved. In the study area, the mostly used sources of financing are loan, sales of property including land, internal saving as well as funds mobilize through friends and relatives.

**Table 4.7**  
**Taking Loan from Different Sources**

<b>Sources</b>	<b>Sample HHs</b>	<b>Percent</b>
Bank	8	16
Co-operatives	5	10
Friends	10	20
Relatives	27	54
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

The above table shows that 54% HHs receiving loan from their relatives, 20% HHs receiving loan from their friends, 16% receiving loan from bank and 10% receiving loan by co-operatives. Most of the HHs borrowed loan from relatives because of easily accessible.

#### 4.9 Interest Percentage of Loans

The interest percent of the debt varies depending upon the sources from where it is taken. Some may have high interest rates and some may have low. The interest rate paid by the sample HHs is listed below:

**Table 4.8**

#### **Interest Percentage of Loans**

<b>Interest percent</b>	<b>No of HHs</b>	<b>Percent</b>
Up to 10	10	20
10 – 15	13	26
Above 15	27	54
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that most of the HHs (54%) paid more than 15% interest rates. Similarly 26% HHs paid interest percent 10 – 15%. In the same way 20% HHs paid 5 – 10% interest rate. The table shows that most of the HHs paid maximum interest rate on loan above 15%.

#### 4.10 Types of Job in Abroad

The skill of Nepalese workers is quite low: most of them get employment in manual job. To find out the types of jobs performed, the respondents were asked to give the type of work they did while being employed in foreign country. These types of jobs are

categorized into five types, they are construction, industrial, department stores, hotel / catering and security.

**Table 4.9**  
**Types of Job in Abroad**

Types of job	No. of respondents	Percent
Construction	3	6
Industrial	8	16
Department Stores	15	30
Hotel / Catering	7	14
Security	17	34
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that 35% respondents have done the work in security. In the same way 30% respondent have done the work in department store. Similarly 16% respondent have done the work in industry and 14% respondent have done work in hotel / catering only 6% respondents have done work in construction.

Most of the respondents are employed abroad in security field and department stores.

#### **4.11 Classification of Sample HHs on the Basis of Save Remittance**

People gone to abroad as a foreign migrant workers. After few time they started to send remittance back home whether the amount is less or more. People gone to abroad by taking loan from different sources. It has not enough to pay loan of few months salary or remittance and to pay loan or to do other things by remittance it is necessary to save the remittance. So the following table shows that whether the sample HHs save the remittance or not.

**Table 4.10**

**Classification of Sample HHs on the Basis of Save Remittance**

<b>Save remittance</b>	<b>No. of HHs</b>	<b>Percent</b>
Yes	41	82
No	9	18
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that almost HHs save the remittance 82% HHs save the remittance and 18% HHs doesn't save the remittance. That means most of the HHs save remittance to do further work.

#### **4.12 Impact of Food Sufficiency in Sample HHs**

Remittance is helping to supply the food sufficiency in sample HHs. After receiving remittance the sample households food sufficiency is increased than before conditions. The following table shows the food sufficiency in sample HHs.

**Table 4.11**

**Impact of Food Sufficiency in Sample HHs**

<b>Effect on food sufficiency</b>	<b>No. of HHs</b>	<b>Percent</b>
Increase	40	80
Constant	10	20
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*



Above table shows the effect on food sufficiency in sample HHs. Out of 50 households 80% households have increase food sufficiency and 20% have constant food sufficiency in study area.

#### 4.13 Impacts in Housing Condition of Sample HHs

The socio-economic impacts of remittance also relate with housing condition of respondent in study area. The housing condition of households based on rain forced concrete cement, tin roof, thatch.

**Table 4.12**

**Impacts in Housing Condition of Sample HHs**

Before remittance income			After remittance income		
Housing Condition	No of HHs	Percent	Housing Condition	No of HHs	Percent
RCC	5	10	RCC	6	12
Tin roof	20	40	Tin roof	40	80
Thatch	25	50	Thatch	4	8
<b>Total</b>	<b>50</b>	<b>100</b>	<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above the comparative table shows the positive impact of remittance on housing condition in study area. From the table we find out housing condition improving. Mainly the HHs improves their housing condition by proper use of remittance. Almost of HHs use tin roof. Finally we can conclude that housing condition improved by before and after use of remittance.

#### 4.14 Remittance Spend on Health Care Before and After Receiving Remittance

The socio-economic impact of remittance based on the utility of remittance on health care. Most of the respondent used their remittance in health check up after receiving remittance. The following table shows the remittance spend on health care before and after remittance.

**Table 4.13**

**Remittance Spend on Health Care Before and After Receiving Remittance**

Before remittance			After remittance		
Spend on health	No of HHs	Percent	Spend on health	No of HHs	Percent
Below 10%	20	40	Below 10%	10	20
10 – 20%	20	36	10 – 20%	19	38
20 – 30%	25	24	20 – 30%	14	28
Above 30%	–	–	Above 30%	7	14
<b>Total</b>	<b>50</b>	<b>100</b>	<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above comparative table shows that HHs have increased their investment in health care after receiving remittance income. The table also interpreted the use of remittance in health care sector. The investment of remittance in health care sector has grown up after receiving the remittance.

#### 4.15 Annual Saving of the Sample HHs

The amount of saving mainly depends upon two things i.e. amount of total income and amount of total expenditure and consumption. The total annual saving of the sample HHs is shown below:

**Table 4.14**  
**Annual Saving of the Sample HHs**

<b>Annual Amount (NRs)</b>	<b>No. of HHs</b>	<b>Percent</b>
Below – 25000	5	10
25000 – 50000	15	30
50000 – 100000	20	40
Above 100000	10	20
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that most of the sample HHs 40% had an amount saving of 50000 – 100000 and 30% of the sample HHs had annual saving of 25 – 50000. Similarly above 100000 having per year was of 20% and only 10% of the sample HHs had saving of below 25000.

#### **4.16 Income of Remittance Received Annually by the Sample HHs**

The total amount of remittance received per year of the sample HHs is shown below:

**Table 4.15**  
**Income of Remittance Received Annually by the Sample HHs**

<b>Before remittance</b>			<b>After remittance</b>		
<b>Income NRs</b>	<b>No of HHs</b>	<b>Percent</b>	<b>Income NRs</b>	<b>No of HHs</b>	<b>Percent</b>
Below 10000	5	10	Below 200000	13	26
10000–20000	22	44	200000–400000	20	40
20000–30000	15	30	400000–600000	13	26
Above 30000	8	16	Above 600000	4	8
<b>Total</b>	<b>50</b>	<b>100</b>	<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above the comparative table shows that sample HHs income has increased after remittance. Their annual income or amount was less than US \$ 1.25 per day before. But after receiving remittance their income has increased and they have an income more than US \$ 1.25 per day. That shows the poverty is reducing in the study area comparatively.

#### 4.17 Specific Change in Sample HHs After Receiving Remittance

After receiving remittance in sample HHs there has been changed in condition of HHs than before. Following table shows the specific change in sample HHs after receiving remittance.

**Table 4.16**

**Specific Change in Sample HHs After Receiving Remittance**

<b>Specific change</b>	<b>No. of respondents</b>	<b>Percent</b>
Economic condition	25	50
Households expenses	10	20
Social status	5	10
Skill development	10	20
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows the specific change of respondent in economic condition 50% HHs, households expenses 20%, change in social status 10% and skill development 20%. The huge change found in specific change in economic condition.

From that table we can find out positive impact of remittance on specific change in respondents in study area because of increase in economic condition, skill development, households expenses and social status of respondent in study area.

#### 4.18 Use of Remittance

The following table shows the use of remittance in different sectors through HHs.

**Table 4.17**

#### **Use of Remittance**

<b>Use of remittance</b>	<b>No. of HHs</b>	<b>Percent</b>
Education	10	20
Buying ornament	5	10
To buy land	22	44
HHs expenses	13	26
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that out of 50 HHs 22 HHs spend their remittance to buy land in urban areas. 13 HHs spend their remittance in HHs expenses and 10 HHs use their remittance in buying ornament and only 5 HHs use their remittance in education sector.

#### 4.19 Opportunities Provided by Remittance

Remittance has been seen as a back bone to the Nepalese economy in recent time and there has been substantial growth of remittance economy. Remittance received should be used in income generating activities or productive sector. So that the people over here can have employment opportunities cash flow in their households besides these remittance provides the different opportunities to remittance receiving households. Following table shows the opportunities provided by remittance.

**Table 4.18**  
**Opportunities Provided by Remittance**

<b>Opportunities</b>	<b>No. of HHs</b>	<b>Percent</b>
New business start	7	14
Living standard improve	18	36
Social welfare	10	20
Consume things	15	30
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that remittance is providing the living standard improve opportunities to 36% HHs. In the same way remittance is providing the opportunities of consume things to 30% HHs. Similarly remittance is providing the opportunities of social welfare of HHs to 20% and remittance is providing opportunities of new business started to 14% HHs. Above table shows that most of the HHs living standard has improved through the opportunities provided by remittance.

#### **4.20 Better for Utilizing Remittance**

Remittance is using in unproductive sectors. If the remittance is used in productive sectors then we can earn money from that sector and also can generate the employment opportunity to the people. Some questions were asked during the field survey about suggestion for better utilizing remittance and their view about it is given by the following table.

**Table 4.19**  
**Better for Utilizing Remittance**

<b>Sector</b>	<b>No of respondent</b>	<b>Percent</b>
Entrepreneurship	15	30
Business	12	24
Education	10	20
Agriculture	13	26
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

Above table shows that 30% respondents have viewed that utilizing remittance in entrepreneurship is better and 26% viewed that in agriculture. Similarly 24% respondent viewed in business and 20% viewed in education. Most of the respondent viewed that the utilization of remittance in entrepreneurship sector is better.

#### 4.21 Reasons for not Utilizing Remittance in Productive Sector

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

**Table 4.20**

##### **Reasons for not Utilizing Remittance in Productive Sector**

<b>Reason</b>	<b>No of respondent</b>	<b>Percent</b>
Conflict	3	6
Lack of sufficient capital	15	30
Lack of market	15	30
Lack of knowledge	17	34
<b>Total</b>	<b>50</b>	<b>100</b>

*Source: Field survey 2016*

The above table shows that the remittances have been affected by so many factors. Among the total respondent 34% says that lack of knowledge is the reason to not utilizing the remittance in productive sector. In same way 30% of them have reported that causes of lack of sufficient capital and other causes 30% due to lack of market, 6% were conflict. Most of the respondent said that the cause of not utilizing the remittance in productive sector is lack of knowledge in study area.

## 4.22 Use of Remittance

The use of remittances depends on priority placed by the individuals on different uses, the size of remittance, the time of availability, opportunity for investment and several factors. Most of the respondents or households are using their remittance in unproductive sector and following table shows the use of remittance in unproductive or productive sector.

**Table 4.21**

### **Use of Remittance**

<b>Unproductive</b>	<b>Productive</b>
40 HHs	10 HHs

*Source: Field survey 2016*

Above table shows that out of 50 HHs, 40 HHs are using their remittance in unproductive sector only 10 HHs are using in productive sector. This result shows the most of the remittances are using in unproductive sector.

## **Answers of Key Informant and Group Discussion**

In the study area to find out more information related to the objectives of this study few questions were asked to the key informant and focus group discussion were held. Their answers are given below.

They said that before receiving remittance they used to live in difficult condition. Whole day they worked hard and they had no time for other works like health check up and education. They would go to forest for firewood collect only few students used to go school. They were living difficult livelihood but after going foreign employment and receiving remittance their living style has changed they started to go hospital for their proper health check up they started to send their children in school. They started to consume the modern technology's devices for their daily life like LPG and electric cooker. TV, radio, etc. their housing condition and food sufficiency has increased comparatively after receiving remittance. Most of the HHs has utilized their remittance in



unproductive field like consuming things (buying land, ornament, clothing etc). HHs economic and social condition has changed and their living standard has improved. They can easily fulfill their basic needs yet.

They said that at present time they have time to take care their children/family and themselves. They can afford the necessary things today. At last they said that after receiving remittance rural poverty is reducing and whole village is also developing in different perspective like education, electricity drinking water supply, transportation and so on.

# **CHAPTER V**

## **SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTION**

This chapter summarizes the major study the conclusion drawn upon and the relevant recommendation made based on the study.

### **5.1 Major Finding of the Study**

- The trend of foreign migration has been increasing day by day for a employment and earn money.
- The trend of growth of remittance also increases at a increasing rate, which directly gave the positive contribution of nation's GDP.
- Most of the population in study area are age group of 30 – 40 with 25.87%
- After remittance in this VDC food sufficiency is increased.
- After receiving remittance in this VDC HHs of foreign migrant workers house conduction has changed.
- People are started to go health check up in facilitated hospital after receiving remittance.
- Enrollment of students in school colleges and universities has increased after flow of remittance.
- Per capita income of this VDC is increased after remittance more than 1.25 US \$.
- After receiving remittance HHs economic condition has improved.
- People are using remittance in unproductive sector.
- People are starting to save their remittance annually NRs below 25000 to 1 lakh.
- Out of total households 30 HHs (60%) members were gone to Gulf counties. Similarly 30% HHs were gone in Asian countries.

- 34% respondents said that the reason for migration is to earn money. In the same way 30% said that the reason behind for foreign migration is family debt and 20% respondents said that unemployment is the reason for foreign employment.
- 54% HHs were taking loan from their relatives to send their family members in foreign employment.
- 34% respondent has done the work of security in abroad. Similarly 30% have done the work in department stores.
- 54% HHs sample HHs paid an interest rate of above 15% of their debt taken. 26% sample HHs paid between 10 – 15% and 20% sample HHs paid between 5 – 10%.
- 82% sample HHs saving their remittance and 18% sample HHs are not saving the remittance for further things.
- After remittance 50% respondents economic condition has changed in the same way 20% respondents skill has developed.
- 34% respondent said that the reason behind not utilizing the remittance in productive sector is lack of knowledge and similarly 30% said that lack of sufficient capital is the another reason.
- After receiving remittance sample HHs or respondent has started to send their remittance in proper health check up.
- After remittance the sample HHs annual amount has increased than before.
- 40% sample HHs are using their remittance in unproductive sectors.
- 44% sample households are using their remittance in buying land, 26% sample households are spending their remittance in households expenses.
- The number of school / college and universities going students is increased after receiving remittance.
- Respondents said that the better sector for utilizing the remittance is entrepreneurship and business is also the better sector for utilizing the remittance.

- Out of total households said that the reasons for not utilizing the remittance in productive sector is lack of knowledge and 30% said that lack of market is the another reason for not utilizing the remittance.
- Out of total households 96% households socio-economic conditions has changed after receiving remittance.
- 36% HHs said that remittance is providing the opportunities for living standard improvement. Similarly 30% said that remittance is providing the opportunities of consume things like buying ornament, clothes etc.
- After remittance 46% sample households received an amount of NRs 200000 – 400000 per year, 26% sample households received an amount of NRs 400000 – 600000 per year.
- Before remittance 44% sample households received an amount of NRs 10000 – 20000, 30% sample households received an amount of NRs 20000 – 30000 per year.
- After receiving remittance housing condition has changed then before in study area.
- 50% households economic condition has changed after receiving remittance and out of total households 20% respondents skill has developed through remittance.

## **5.2 Conclusion**

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

From this study it is concluded that economic condition of the migrant workers before remittance had poor therefore they have gone to the foreign country before remittance income the respondent have the per capita income less than 1.25 US \$ (according to world Bank) which denotes the under poverty line but after remittance income they have

the per capita income more than 1.25 US \$ per day. It reflects that in study area remittance reducing the rural poverty. The investment in education, health, utility of remittance and agricultural production has grown up after receiving remittance. The new opportunities were created by proper use of remittance such as agricultural production, start new business, improve living standard.

From the research we can conclude that remittance helps to increase income, education, improve in health, improving lifestyle also increase households expenses, improving housing condition and also help in net saving. The remittance is not using properly in productive sector if the respondents properly invest on agriculture sector and start new business it will help to develop rapidly which helps in rural development.

As a summary, it can be concluded that the Economic and Social condition of all the families who have involved in foreign employment has increased. It may be in both aspects i.e. economic as well as social but surely there is a positive change in the status of the families of the respondents due to remittance income. Therefore, we can say that remittance income is playing very vital role in reducing the poverty level of the study area.

### **5.3 Suggestions**

On the basis of the finding and conclusion of this study the following suggestion have been recommended for utilization of remittance and foreign employment.

- Most of the respondent have not utilized their remittance and newly learnt skills at abroad when they came back home because of lack of technology non availability of sizable investment funds and lack of market, etc. so the policy should make to create good environment and provided sufficient technology as well as market. Government should play the role of facilitator for all the investors and the workers.
- The government must make new policies to create new employment for youth in a country. Because youth are rapidly leaving the country, it is not better for long term.

- Government should make secure employment policy for promoting foreign employment.
- There should be further research in remittance sector such that we can get clear knowledge in these fields.
- Income generated by the migrant workers from foreign employment is being spent on unproductive sector. Thus government should bring the proper policies and programs that provide the better environment to utilized received remittance into productive sector that may create additional job opportunities and sources of income in the native village and counties.
- Nepalese economy has received a large amount of remittance, but remittances are still being transferred through informal channels. Formal channels should be promoted. At least one formal institution must be established to facilitate transfer remittance in each destination.
- Government should provide loans to the poor people in the cheap interest rate for foreign employment.
- The Bilateral Agreement (Government To Government) should be done from the ministry level with all the labor-importing countries. Agreement done with United Arab Emirates and Korea can be the best examples of the positive impact of the agreement.

Finally, this above case study of role of remittance to reduce rural poverty and the status of foreign job seekers of Pipaltari VDC which is very important current issue of the Nepalese economy, therefore this study is very significant, while the study is conducted in small size and may not be sufficient to make general conclusions for the whole nation about the role of remittance income and labor migration. I am confident and hopeful that it will be certainly beneficial to the people of Pipaltari VDC as a whole and side by side for the people of other neighboring VDC of the entire country.

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## ANNEXES

Questionnaire for individuals:

General information:

Name of respondent: ..... Age: .....

Sex: ..... Occupation: ..... Caste: .....

Religion: ..... Education: ..... District: .....

Ward No: .....

1. Types of family?

(a) Single

(b) Joint

2. Total no of family member .....

3. Structure of family member .....

S.No.	Relation with family	Age	Sex	Education Status	Occupation
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
<b>Total</b>					

4. How many members of your family have gone to foreign country?  
(a) 1 (b) 2 (c) 3 (d) 4
5. Which country your family went to abroad?  
(a) Gulf country (b) Europe (c) Africa (d) Asia
6. What was the reason that your family member have gone to foreign country?  
(a) Unemployment (b) Family debt  
(c) Conflict (d) Earn money
7. Did you take any loan to send your family member to go abroad?  
(a) Yes ..... if yes, from which institute  
(b) Bank (c) co-operatives (d) Relatives
8. What is the interest percentage of loan?  
(a) Up to 10% (b) 10 – 15% (c) above
9. What type of work she / he is doing there?  
(a) Construction (b) Industrial  
(c) Department stores (d) Hotel / catering
10. What is his / her current income per annual there?  
(a) Below NRs 200000 (b) Rs. 200000 – Rs 400000  
(c) Rs 400000 – Rs 600000 (d) Rs Above 600000
11. What do you do with the cash remittance?  
(a) Sufficient to pay loan only (b) House expenses  
(c) Start new business
12. If you have sufficient cash remittance, what do you do with that?  
(a) Agriculture (b) Business  
(c) Buy new property (d) Social welfare
13. How many percentage of money you use to spend on education and health care?  
(a) Below 10% (b) 10 – 20%  
(c) 20% – 30% (d) Above 30%

14. Do you save your remittance?
  - (a) Yes
  - (b) No
15. If yes then amount of saving per year.
  - (a) Below 2500
  - (b) 25000 – 50000
  - (c) 50000 – 100000
  - (d) Above 100000
16. How is your home condition before remittance income?
  - (a) Concrete
  - (b) Tin roof
  - (c) Thatch
17. How is your home condition after remittance income?
  - (a) Concrete
  - (b) Tin roof
  - (d) Thatch
18. What is the effect on food sufficient after remittance income?
  - (a) Increase
  - (b) Constant
19. What are the opportunities provided by the remittance?
  - (a) New business started
  - (b) Living standard improved
  - (c) Social welfare
  - (d) Consume things
20. Has it improved your socio-economic status?
  - (a) Yes
  - (b) No
21. Before going foreign employment what was your total income of your household?  
RS.....
22. After going foreign employment what is your family income?  
RS.....
23. Before going foreign employment did it sufficient to fulfill the basic need of your family?
  - (a) Yes
  - (b) No
24. If No how you fulfilled that needs?  
.....
25. To be specific what changes have seen in your family member went to abroad
  - (a) In economic condition
  - (b) In daily life spending

- (c) In social status (d) In skill development
26. In which sector do you have use the remittance?
- (a) Productive (b) Unproductive
27. If you used the remittance in productive sector then which sector?
- (a) Business (b) Education  
(c) Entrepreneurship (d) Agriculture
28. If you used the remittance in unproductive sector then which sector?
- (a) Clothing (b) Buying land  
(c) Food consumption (d) House building
29. If you don't invested remittance income in productive sector what are the reason behind it?
- (a) Conflict (b) Lack of market  
(c) Lack of sufficient capital (d) Lack of knowledge
30. Which sector is better for utilizing remittance?
- (a) Entrepreneurship (b) Business  
(c) Education (d) Agriculture

**Questionnaire for Group Discussion**

1. After receiving remittance how is your daily life going?
- .....
- .....
- .....
- .....
- .....
2. What is the change in socio-economic condition by remittances?
- .....
- .....
- .....

.....

**Questionnaire for Key person**

1. What kind of changes and improvement have you seen after getting remittance?

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.....  
.....  
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2. What impact is seen in your village because of remittance?

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3. In which sector people are utilizing their remittance?

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