

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Introduction**

Remittances to Nepal have a stronghold in the national economy and they have also transformed the lives of a large number of rural people. Remittance inflow in Nepal began with the entry of Nepalese youths in the British Indian Army during the World War I. Following this, there were increased remittances to Nepal when a large number of Nepalese youths joined the Indian army in the 1950s and 60s. Simultaneous to this, the increased number of Nepalese migrant workers in India also contributed to bring in remittances from India. This initial phase of foreign employment came to a sea-change in the second stage in the 1990s, at the wake of globalization, when a large number of Nepalese opted for jobs in Malaysia and Gulf countries. Government of Nepal now has opened 110 countries for foreign employment though the concentration is still in India, Malaysia, Gulf nations, South Korea, Israel and Japan leaving the European countries, Australia and the United States where Nepalese Diaspora constitute a large community ([www.moless.gov.np](http://www.moless.gov.np)).

Remittances have become a major source for hard currencies for the national economy and so have become for a household. Number of remittance receiving household has reached 56 percent in the country (NLSS, 2011). Remittance has approx. 25 percent share in GDP and has surpassed the incomes received from tourism and national exports for the last three consecutive years (Economy Survey, 2019/20). Remittance inflow has been credited for heavy foreign reserve and management of monetary resource for small and medium scale industries. Besides, remittance has helped the country's economy from being shambles at a time when the world was reeling under recession. Remittance has also tremendously supported to poverty alleviation (NLSS, 2011).

Nepal has a long tradition of overseas employment; other factors have contributed to an increase in labor migration in recent years. Starting in the early 19th century, Nepalese have served in various armies in pre-colonial and colonial India. This tradition continues and Nepalese are employed in the Indian and British armed forces. Earnings and pensions from these soldiers form a sizeable portion of remittances.

However, with rapid population and labor force expansion and inadequate growth, the absorptive capacity of the domestic economy has been stretched. With limited arable land, landlessness is pervasive and the number of landless households has steadily increased in the agricultural sector. In the nonagricultural sector, the slowdown in growth, especially since 2000/01, due to the insurgency and exogenous shocks has further retarded the pace of employment creation. The armed conflict has also created difficult living and security conditions, especially in the rural areas (*remittance.com*). Nepal is a small developing country with a very unique geographical setting .It is a land lock country surrounded by India in South ,East and West and by china in north .It covers an area of 54,326 sq. miles runs along 500 miles from the East to the West and 80 to 150 miles from north to south . The most important assets of the country includes the land with the wide climate and attitudinal variations the perennial rivers and the Himalayas. The total population is 2, 64, 94,504. according to the population census (CBS,2011).

Remittances consist of goods or financial instruments transferred by migrants living and working abroad to residents of the home economies of he migrants. It is limited to transfers made by workers that had stayed in foreign economies for at least one year stayed transfers from migrants that are self employed are excluded (IMF, 1999)

Besides agriculture, human resource is another main resource of Nepal; Due to the high population growth rate of Nepal the population of Nepal is increasing day by day therefore its role in the development of all sectors is becoming very important in recent years. But due to the lack of opportunities in our country to get employment and earning money, skilled, semi-skilled and unskilled all types of people have shown inclined to the foreign employment which have resulted in substantial growth of remittance economy. In the current situation the magnitude of remittance in FY 2019/20, is Rs. 875.3 billion which is coming through the registered sources. The amount of remittance entered our country in FY 2018/19 and 2019/20 were Rs. 879 billion and Rs 875.3 billion respectively (DOFE, 2020) which shows that the contribution of remittance is increasing yearly. If this present trend continues, it is speculated that remittance economy will substitute many other sectors of the economy in coming new years.

In 2018/19, the Government of Nepal, Department of Foreign Employment granted final approval to 2,36,208 workers for foreign employment registering a decrease of 33.29 percent compared to the previous year. As in the past, Qatar and the Gulf countries appeared to be the major destinations for Nepalese workers in 2018/19. Of the total workers granted final approval for foreign employment in the review year, 31.8 percent were for Qatar, 26.5 percent for U.A.E, 19.5 percent for Saudi Arab, 6.8 percent for Kuwait and 4.2 percent for Malaysia. In the review year, the number of workers approved for Qatar by increased 2.7 percent whereas that for Malaysia significantly declined by 25.2 percent (DOFE, 2020).

Most of the migrated people are from the rural sector of Nepal but due to the lack of the banking facilities in the rural areas, they are sending their earnings from the informal mediums up to now. In this present situation remittance is playing a 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. 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. People migrate to other countries to work and earn money, which certainly helps to reduce poverty level of rural areas (DOFE, 2020).

The history of remittance began after the British-India and Nepal war during 1814-1816. Since then, Nepalese youths used to be recruited in the British national army (Thieme, 2004). The volumes of remittance increased only after 1995, when the civil conflict destroyed the local labor markets and people started looking for overseas employment. The political turmoil blocked the industrial expansion and halted plenty of small medium enterprises (SMEs) all over the country reducing job opportunities (Müller & Thieme, 2007). As a result, 250,000 people on average leave the country annually in search of job since 2007 (MoF, 2011).

Nepal's development expenditures are heavily financed by foreign aid and it has become an integral part of Nepal's political economy. Besides foreign aid, tourism sector also remained one of the lucrative sectors for Nepal. But, in FY 2001/02, Nepal's major economic activities: tourism, manufacturing, investment, exports etc. reported major downslides and even agricultural production and imports slackened.

The recent Barpak Quake has further put setback in the tourism industry. All these factors have contributed in economy to be dependent on either foreign aid or remittance. Employment abroad has not only helped Nepal in minimizing ever growing unemployment problem; it has also injected much needed foreign currency into our economy to fill up foreign exchange and investment gap, thereby helping Nepal avoid a major balance of payment crises (Sigdel, 2005). Despite of common consensus within the government and development agencies that there is great potential of the overseas migration as a safety valve in view of gloomy economic scenario, 'the remittance economy of Nepal' has generally been either ignored or underestimated by economists, academics and policy makers (Srivastava & Chaudhary, 2007). In true sense, the contribution of remittance to the national economy is much larger than what is reflected by official data and information. The Purpose of this article is to examine the role of remittance in economic development of Nepal.

Migration has reemerged as an important issue in the twenty-first century contributing as an important factor in shaping the politics, economy, sociology, culture and even security of the concerned countries. As migration from Nepal picked up dramatically over the past decade, recorded remittance inflows increased many-folds to reach US\$ 879 billion or around 25 GDP in 2018/19, which makes Nepal the fifth highest, receive of workers' remittances, as a share of GDP, in the world (DOFE REPORT, 2020).

## **1.2 Statement of the Problem**

Various studies, evidences and numeric data have proved that remittance has played significant role not only in correcting BOP and maintaining foreign reserves but also in minimizing the problem of unemployment and poverty in LDCs including Nepal. The overseas migration and remittance has been instrumental in poverty alleviation as well as in improving the living standards of the people (Seddon, 1999). Remittance has played momentous role in poverty reduction in Nepal from 42 percent to 31 percent in past decades (Sharma, 2006). The relevant literatures discuss particularly the impact of remittance upon poverty and inequality. Likewise, growth generation capacity of remittance is much more data table issue since it has played positive role in enhancing growth in some LDCs and negative role in some other LDCs as well. Shrivastav and Chaudhary (2007) outline impact of remittance has been seen remarkable on the GDP and GNP in both real and nominal term.

But Sharma (2006) argues that since most of the remittances have been used for purpose, it has a negative impact on growth of GDP in Nepal. Again some studies or papers have argued that remittance earning is finished upon consumption purpose and it has no any significant effect to enhance domestic investment in the nation. But Dustmann and Kirchamp (2001) have found that 50 percent of a sample of Turkish emigrants returning from Germany started a micro enterprise within four years of resettling in Turkey using money saved while working abroad. Similarly Woodruff and Zenteno (2001) also found that remittance was responsible for almost 20% of the capital invested in micro enterprises through urban Mexico.

In general the anecdotal reports observe that recipients use remittance to increase family consumption rather than to invest in business or other productive assets. Academic papers have investigated the claim made in the anecdotal reports generally using survey data. The picture that emerges on the use of remittance is somewhat confusing (Chami, 2008). These contradictions have left room for further investigation or researches in the field since various works have been completed with distinguished results. Again most of the researches have pointed out to the necessity of further comprehensive and statistical investigation about the impact of remittance upon economy of the nation. Most of the works done on the macro economic of remittance and their impact is qualitative (Giuliano and Arranz, 2005). Just the theoretical discussions are not sufficient to assess the impact of remittances unless and until the results become valid through econometric and statistical investigation. Further there is a lack of the literature and analysis based on real data of Nepal in assessing the actual status of one of the major contributors of GDP, which is remittance. In Nepalese economy remittance has emerged as a new economic phenomenon. Share of remittance to GDP is increasing year by year. Passing throughout the time size of domestic product, size of domestic investment and size of domestic consumption are also in increasing trend. Remittance may have played a positive role in bringing positive change in these macro economic variables. So to assess the impact of remittance upon macro economic conditions of the economy and to establish the validity of the impact, econometric analysis is a must, which this study has tried to do.

Thus, the steeply increasing trend of remittance is being a serious issue in the implementation of development plans and policies. Also this study seeks to find out the answer of the following questions:

- i. Why do they go abroad for employment?
- ii. In which types of works are they engaged abroad?
- iii. How does it affect the society?
- iv. What are the economic effects of remittances?
- v. In which sector do they invest their income?
- vi. What types of improvement have they got in standard of their life?

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

The general objective of this study is to assess the role of remittance in domestic investment in the nation. The specific objectives are:

- i. To examine the socio-economic difference between remittance receiving and not receiving households.
- ii. To find out the impact of remittance in domestic investment expenditure.
- iii. To explore the uses of remittance in the study area.

### **1.4 Limitations of the Study**

Various types of constraints or limitations are very common in both types of research be it micro or macro natured. Main limitations of this study are as follows:

- i. The present analysis is concentrated in particular area of Maijogmai Rural Municipality of Ilam District.
- ii. This study is based on sample size of study area, It may not be helpful to make general conclusion.
- iii. This study emphasizes only the impact of remittance on rural livelihoods of rural people.
- iv. This study is the indicative rather than all inclusive so the generalization could not be applied to the whole nation.
- v. Due to the limited resources this study may not include all the relative data of remittance.
- vi. The study focuses only on remittance through foreign employment.

### **1.5 Significance of the Study**

Remittance has become one of the emerging and burning issues in Nepalese economy. It can play significant role in making overall development of the nation if inward remittance is used to enhance domestic investment level and domestic consumption level of the nation. So to advocate about impact of remittance upon national economy, it is necessary to assess the impact of remittance on domestic investment and domestic consumption level of the nation and both of which are equally important to enhance the domestic product of the nation. So this study has tried to assess the exact status of the remittances in Nepal and its contribution in investment and consumption as well as in total GDP of the country. This study is strictly based on the exact data provided by the various governmental agencies including the NRB and has used the sophisticated econometric model. This study is based on the strong analytical tool of econometrics and has tried to find the impact of remittance on domestic consumption and investment and thereby GDP of Nepal. Furthermore, this study may be helpful in formulating suitable policy to divert remittance toward domestic investment to foster economic growth of Nepal and may be important in further comprehensive research on making remittance a strong instrument for investment. The study gives the short snapshot of the use of remittance upon domestic consumption and domestic investment and its impact upon GDP of Nepal.

### **1.6 Organization of the Study**

This study has been divided in the five chapter . The first chapter is an introductory chapter. It comprises the background of the study, statement of the problem, significance of the study, objectives of the study, and limitations of the study. The second chapter reviews some literatures, books, articles. The third chapter explains the methodology that is applied in this study to attain the objectives of this study. The fourth chapter describes the impact of remittance on livelihood of rural people. The information is analyzed in this chapter. And in the fifth chapter, summary, conclusion and recommendations derived in this study is presented.

## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Theoretical Review

Historically, Nepalese people established their business and work with the neighboring 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 focus ingtrade between neighbouring countries.Itis 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 pace 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 Lahure is called to Nepalese people because they employed and earned money in Lahor which is in Pakistan now.(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 Kuckulenz2004 : Maclellan and Mares 2005 and Ratma2007).

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 Sapkota (2014), 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 threefold, 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 ([www.nepalnews.com.np/ntimes/issue169/economy](http://www.nepalnews.com.np/ntimes/issue169/economy)).

## **2.2 Definition of Remittance**

Remittance means transferring of money one place to another. Remittance is the amount transferred by worker abroad to support their families back home. Euphemistically, present day Nepalese economy is characterized by "remittance economy". Its genesis start 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 solders received formed the part to support their families. Remittance business is created by foreign employment that has the long experience in Nepal. For the foreign employment Nepalese people are engaged before some centuries. The Nepalese

people were eared “Brave Solders” in the history of the 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 “BirGorkhali”. Nepalese migrated people are called “Lahure” because they employed and earned money in Lahure which is in Pakistan now. Some of the Nepalese were earned money in Malaysia so they were called “Malayako Lahure” (NRB report, 1997).

According to study conducted by Prof. Seddon, Jagan nath adhikari and Ganesh Gurung entitled “Foreign Labor Migration and 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.

Remittances are obtained from migration. These remittances obtained can have a positive impact on economic growth. It can alleviate poverty in migrant sending countries and also mitigate the impact of adverse shocks (Mishi & Mudziwapasi, 2014). The family ties in terms of mutual caring is considered to be the major reason for remitting. “According to Johnson and Whitelaw (1974), Altruistic motivations for remittances” .Lucas and Stark (1985) states that the most obvious motive for remitting is pure altruism- the care for migrant for those left behind (Chami, Jahjah, & Fullenkamp, 2003). Furthermore, the main theoretical determinants of remittances are altruistic, insurance, the bequest motive, loan repayment, and the exchange motive. The neoclassical micro-economics define migration as an individual strategy for own income maximization considering it as an individualistic behavior contrary to altruistic tendencies (Mishi & Mudziwapasi, 2014). But an individual migrate when expected gain exceeds from staying at the origin. Migration is also a strategy of a family to overcome financial crisis. For example, a member in a household migrates due to loss of employment. The family observes migration as a portfolio of diversification as remittances obtained can have positive outcomes. Diversification strategy becomes an important adaptation process that runs within havocs and opportunities that rural household creates in order to accumulate assets which help them to survive and improve their standard of living (Kamanga et al.,2009).

By remittance, we mean sending income in terms of money or goods in home by the migrants or workers who have their earnings outside their home country (Gaudel, 2006). Now a day, this source of foreign income has been growing rapidly in each year in developing countries.

Initially, remittance in Nepal was introduced with Gurkha remittances. 'The Gurkhas' were renowned for good qualities of soldiers. That's why British India formally recruited Nepalese youth as a regular army, which later divided into British and Indian army. Nowadays, Nepalese going abroad are not only for armies but also spread all over the world for work and mostly they are concentrated in Gulf areas in civilian front (Kshetry, 2003).

Remittances can be measured as the sum of workers' remittances, compensation of employees and migrant transfer (Poprzenovic, 2007). The total amount sent by immigrants to the home country who lived more than one year is workers' remittances. The total net worth of migrants is migrant transfer. The amount sent by migrants who have lived abroad less than a year is compensation of employees.

### **2.3 Impact of Remittance**

Remittances have played an important role in raising the livelihood of the rural people. Since it has become an important factor for the GDP of the country, it is considered as an important tool for up lifting the living standard of the people and consequently the development of the nation. A research revealed by Nepal Rastra Bank in 2002 reported that her emitted money are primarily used for clearing a debt, buying the lands and jewelries, and saving in different banks and co-operatives for future use (Rastra Bank,2002).

Remittances can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption, and poverty and income distribution. Workers' remittances flow in as a component of foreign savings and as such complements national savings by increasing the total pool of resources available for investment. Remittances constitute an integral part of household livelihood strategies. They are a more constant source of income to developing countries than official development assistance, foreign direct investment and other private flows. Remittance can generate a beneficial impact on the economy through various

channels, such as savings, investments, growth, consumption and income distribution. Remittance have relaxed the foreign exchange constraints of the country and strengthened its Balance of payment position (Shrestha,2006:30).

Remittances impact on child welfare and household consumption was conducted and the result shows that the elasticity of consumption from remittances is highly lower than that of non- remittance income for all consumption categories (Milligan,2009). Also, increased migration for work have resulted in contribution of one-fifth of poverty reduction in Nepal during 1995-2004 (Acharya&LeonGonzalez,2013). But, this did not make any difference in reducing income inequality rather produce positive significant relationship.

#### **2.4 Foreign Employment and Remittance**

Gurung and Adhikari (2004), concluded that, in their article “The New Lahures”, After democratic movement in 1990, it has become easier to obtain travel documents and passport. The increasing flow of information and the liberalization in travel led to a surge in the migration of Nepali citizens for employment. Again, because of the political conflict since 1995, the trend of foreign employment has dramatically increased. This situation has compelled Nepalese youths to look for overseas employment. This conflict has also resulted in increased flow of migrants from the mid west to India.

As per the information from Department of Foreign Employment, a total of 58710 Nepali workers are found to have gone to different countries for foreign employment by second trimester of FY 2011/12. Large number of people is estimated to have gone to third countries via India through unauthorized means taking advantage of open boarder with India. A separate Foreign Employment Department was established on 31 December 2008 which has been carrying out foreign employment related activities .An Employment Permit System (EPS), Korea Section is established in the Department while a separate Japan International Trading Corporation Organization (JITCO) unit has been formed in fiscal year 2009/10, for sending workers to Japan. A total of 250829 are male while this number stood at 354716 until the end of previous fiscal year of which 344310 are male and 10416 are female.

Economic Survey, (2019/20), states that the Nepali youth groups are attracted to foreign employment due to dearth of adequate employment opportunity in the country. The number of Nepali workers going for foreign employment is growing every year. According to various reports, large numbers of Nepali workers have gone for foreign employment without securing government permission as well. Based on the official and unofficial records as of now, more than 3 million people have gone for foreign employment. The foreign employment has supported in bringing economic prosperity in rural Nepal and reducing poverty. The contribution of foreign employment to reducing unemployment situation and poverty and enhancing Nepalese economy should be considered significant. The foreign Employment Act, 2008 has already been issued and enacted for promoting the business of foreign employment while safeguarding the rights and interests of workers and foreign employment entrepreneurs by making it a safe, well managed, and dignified profession.

Bista (2008), presents in his book entitled "Nepalese Economy and Development", In recent years, the growth of out flowing for overseas employment opportunities is estimated. Therefore state and structure of foreign employment is found encouraging and diversifying. By country wise Nepalese labor legally go to overseas employment for more countries like (Saudi Arabia, Qatar, UAE, Baharain, Kuwait, Hong Kong, Malaysia, Korea etc). Traditionally and legally India is another dominating country absorbing large size of labor. In addition Nepalese are working in developed countries like USA, UK, EU, Japan etc. after higher education.

JONBS (2006), states that, Initially, remittance in Nepal was introduced with "Gurkha" remittance "the Gurkhas" were renowned for good qualities of soldiers. That is why British India formally recruited Nepalese youth as a regular army, which later divided into British and Indian army. Nowadays, Nepalese going abroad are not only for armies but also spread all over the world for work and mostly they are concentrated in gulf areas in civilian front (Kshetry, 2003). Any Nepali to go for work legally, he/she needs to get permission from the department of labor under the ministry of labor and transport of the government of Nepal. From the official report of the labor department it is known that 107 countries are at the government list where Nepalese are allowed to go for work. But still some people are found going abroad

without permission and working in the government restricted areas too. Because of this trend, data on foreign employed workers are not available in exact form. Majority of those who have left home for overseas job are eager to earn foreign currency by hard working to support their families.

Sapkota (2009), in his researches presented their analysis on the remittance market in Nepal. The presentations and a policy note are very informative. This blog post draws in information from their analysis. Around two to five millions 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. On official estimates of stock of Nepali migrants range from 400,000 in Malaysia, 300,000 in Qatar, 60,000-70,000 in South Korea, and two to five million in India. 125,000-275,000 Nepali migrants are estimated to be working in United Arab Emirates (UAE), of which half are in construction, hospitality, tourism and security. An estimated one-third of male population is working abroad. It constituted 17% of GDP in 2008(\$2.3 billion). Remittance has also had large multiplier effects on sectors such as construction, cement and furniture. Migration plays 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 (2003), The major portion of the remittance is used for meeting household consumption and paying off loans borrowed to go abroad (Seddon et al., 1999; NRB, 2001). 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 (Seddon, 2003 & NRB, 2001). Improvement in living standard includes housing improvement; higher expenditure on food, on personal items, domestic, equipment and other consumer durable.



NLSS (2010/11), 56 percent families in Nepal have received remittance income in one year. The average household receipt is estimated at Rs. 80436 at current prices. Calculation of average remittance receipt per person comes out to Rs. 9245. of the numbers receiving such remittance, 58 percent is from within the country, 19percent from India, and 23 percent from others countries. The number of families receiving remittance has been rising last 15 years. The first survey showed that only 23 percent families had receive remittance while the recent third survey showed 56 per cent are receiving remittance. The share of remittance to household income in 1995/96 was 27 percent, which has gone up to 31 percent by FY 2010/11. For instance, the share of remittance received from India has come down to 11 percent with a decline of 24 points in the last 15 years, whereas the share of remittance received from countries other than India has increased to 69 percent from 22 percent in the same period (NSLS, 2011).

Shrestha (2005), in his report titled "Foreign Remittance: A Panacea for Nepalese Economy" has states that remittances can generate a beneficial impact on the economy through various channels, such as saving, investment, growth, consumption and income distribution. Remittances have relaxed the foreign exchange constraints of the country and strengthened its balance of payment (BOP) position.

Pant (2005), in his report titled "Remittances and Development in Developing Countries" has states that remittance is important financial resources to the receiving countries at the micro and macro level. They increase both the income of the recipient and the foreign exchange reserve the recipient's countries. Mostly remittance is used for basic subsistence needs and for daily needs such as food, clothing and housing. These three components make up a significant portion of the income of the recipients household. At an individual level remittance increases the income and reduces the poverty of the recipient's. Generally in the developing countries only a small percentage of remittances are used for saving and used as productive investment such as income and employment generating activities as buying land or tools, starting a business and other activities. However the money spent on better education of the children and health is believed to have a favorable effect on growth, which tends to help in output production. At the macroeconomic level remittance provide significant sources of foreign currency and contribution to the balance of payment. Remittance

also contribute to the expansion of communication services courier companies as well as money exchange services, which contribute to the expansion of economic activities and increase the employment opportunities.

NRB (2001), conducted research on different issues relating to foreign employment and remittance economy of Nepal. The study has covered the ten districts of four development regions through a sample survey. It furnished information on the migrants from the social, economic gender and regional perspectives. According to this study, more than 70.0 percent were laborers and they earned on average from Rs. 10,000 to Rs. 25000 per months. The study revealed that only about 20 percent of the migrant workers sent their earning through the banking channel. The study revealed that the additional household income from the remittance is used exclusively for consumption and very little was invested for productive purposes. The study of NRB further shows that those migrant workers who returned from their job only about 16.0 percent have been able to use their money for income generating activities. Ravenstein (1985), was the first person to attempt forming migration theory. Ravenstein's law of migration is also known as push-pull factor of migration, still predominates as a framework of migration analysis, push factors are: land tenure system, unfavorable 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 factors are employment, education and other facilities are opportunities known as 'bright light' of the towns. On the other hand push factors migrate from their place and origin and on the other hand pull factors migrate 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.

According to International Monetary Fund (IMF) remittances denote "household income from foreign economies arising mainly from the temporary or permanent

movement of people to those economies. Remittances include cash and noncash items that flow through formal channels, such as via electronic wire, or through informal channels, such as money or goods carried across borders. They largely consist of funds and noncash times sent or given by individuals who have migrated to a new economy and become residents there, and the net compensation of border, seasonal, or other short-term workers who are employed in an economy in which they are not resident” (IMF, 2006).

The history of remittance began after the British-India and Nepal war during 1814- Since then, Nepalese youths used to be recruited in the British national army (Thieme, 2004). The volumes of remittance increased only after 1995, when the civil conflict destroyed the local labor markets and people started looking for overseas employment. The political turmoil blocked the industrial expansion and halted plenty of small medium enterprises (SMEs) all over the country reducing job opportunities (Müller &Thieme, 2007). As a result, 250,000 people on averages leave the country annually in search of job since 2007 (MoF, 2011).

Nepal's development expenditures are heavily financed by foreign aid and it has become an integral part of Nepal's political economy. Besides foreign aid, tourism sector also remained one of the lucrative sectors for Nepal. But, in FY 201/02, Nepal's major economic activities: tourism, manufacturing, investment, exports etc. reported major downslides and even agricultural production and imports slackened. The recent Barpak Quake has further put setback in the tourism industry. All these factors have contributed in economy to bedependent on either foreign aid or remittance. Employment abroad has not only helped Nepal in minimizing ever growing unemployment problem; it has also injected much needed foreign currency into our economy to fill up foreign exchange and investment gap, thereby helping Nepal avoid a major balance of payment crises (Sigdel, 2005). Despite of common consensus within the government and development agencies that there is great potential of the overseas migration as a safety valve in view of gloomy economic scenario, 'the remittance economy of Nepal' has generally been either ignored or underestimated by economists, academics and policy makers (Srivastava & Chaudhary, 2007). In true sense, the contribution of remittance to the national economy is much larger than what is reflected by official data and information.

## **2.5 Remittance Flows in Nepal**

The Nepal Living Standard Survey (NLSS, 2007) is the first and only data source to provide statistically accurate estimates of levels of and trends in international work-related migration from Nepal and on the amount of money sent home in remittances. According to NLSS, 23 percent of households in Nepal received remittances in 1995, and that proportion climbed to about 32 percent in 2004. Further, the share of households with remittances from abroad grew from 10 to 17 percent between the survey's two rounds. The amount of remittances received also increased from about NPR 22,000, or 36 percent of mean household yearly consumption in 1995, to NPR 35,000 or 44 percent of mean consumption expenditure in 2004. (Mikhail, 2007)

Since long time in Nepal, many migrants have been transferring their income through the unofficial channels. Today due to the establishment of different agencies like Western Union Money Transfer, International Money Express (IME) etc. In several district headquarters of the country, the remittance flows has become popular for transferring cash money in time to the recipients. However, it is difficult to calculate the exact size of remittance flows in Nepal due to the emergence of unofficial channels even though it has recorded in balance of payments account. Remittances contributed to national economy in different ways. Share of remittance in GDP is swiftly increasing in recent year. There are different sub heading in current transfer credit. They are grants, workers' remittances, pensions and others. The remittance is the main contributor in current transfer credit. It has been contributing 64.7 percent in 2004/05 to 81.5 percent in 2010/11 (NRB, 2010).

## **2.6 Challenges of Remittance**

The surge of remittance income in Nepal is a symptom of the declining manufacturing sector, which has weakened the export business, particularly in terms of few self-employment opportunities. Although some Nepali economists have begun to characterize remittance income as the backbone of the economy, the Government perceives it as a series of quick fixes to crawling economic development rather than a sustainable solution. And an important downside, because Nepal's remittance economy is dependent on international migration, it is vulnerable to external economic crises (<http://www.google.com>).

A range of innovative services are urgently needed, including mobile technology and other forms of digital technology, so that households receive their remittances faster, more cheaply and closer to their residence (especially in rural areas where formal banking services are not available). The Ministry of Labor Employment and Social Security conceptualizes remittance income in its Program Manual for Social and Economic Reintegration of Returned Nepali Workers from Foreign Employment as both the money remitted or brought back by returning migrants and the social capital, such as knowledge, skills, expertise, experience, appropriate attitude, relation, networks and so forth earned by them. How to translate this comprehensive concept into the maximum use of the earnings in the productive sector and human development as envisioned by the 2012 Foreign Employment Policy remains a challenge. Providing incentives to use the formal remittance service and thereby capture a larger volume of remittances is critically important because it will enhance the security and reliability of money transfers while leveraging remittances for economic growth. Diaspora bonds and securitization of remittances are becoming increasingly popular among remittance receiving countries as a means to leverage resources for public investment, both big and small.

Nepal Rastra Bank marketed foreign employment bonds, a variant of diaspora bonds, targeting migrant workers and their families in 2009/10 and 2010/11. However, the attempt was not successful. Managing a diaspora bond sale is complex and further analysis of the factors contributing to the failure is needed. Nepal is one of the 48 countries with least developed status. The thirteenth periodic development plan (2014–16) targets 2022 as the year to graduate from this category, in line with the commitment to the Istanbul Program of Action, which also aims to generate full and productive employment and decent work for all, particularly for youth. There are only six years left for this target to be met; thus remittance income should become a major component in financing development. The Government needs to devise a remittance policy incorporating important sectors related to agriculture, energy, poverty alleviation, health, education, women and children. The foreign employment projects have been running in an isolated manner over the years, resulting in duplication of work and the non-continuation of deliverables. Bilateral labour agreements can be

vital in governing the labor migration processes between origin and destination countries in addition to protecting the rights and welfare of migrant workers.

### **2.7 Nepal's Efforts to Harness Remittances**

Owing to the potential positive effect of remittances, the country has accorded priority in promoting overseas employment and mobilizing remittances so as to maximize the benefits from these transfers. In this respect, effective March 29, 2002, the Nepal Rastra Bank (NRB) had begun granting licenses to private sector organizations interested in remittance-transfer business. As of March 31, 2006, 31 firms excluding the commercial banks are undertaking money transfer businesses as agents. Additionally, in order to make the money transfer business more competitive, the letter of intent has been granted to 83 other firms to conduct this business directly as well as to act as agents. Other policy initiatives have also been undertaken so that remittances could be directed through the banking channel. For instance, as per its Monetary Policy and Program for FY 2002/03, the NRB had arranged to provide 15 paisa per US dollar as commission to licensed private firms in addition to the prevailing buying rate. Moreover, permission was granted to manpower agencies, engaged in sending Nepalese nationals to work overseas, to open foreign currency account in the Nepalese commercial banks out of the foreign currency income that they realized under the prevailing rules. Beginning from 2004/05, if a Nepal-based licensed agent/representative of any money transfer company located overseas requires bank guarantee for the purpose of receiving advance payment from the principal company, a policy arrangement of making such facility available, within the stipulated limits, directly from the commercial banks has been introduced. This measure has facilitated the licensed agents in making instant payments of the remittance to the related parties. As an increase in foreign employment generally leads to an increase in remittances, arrangement for employment is to be made by making the required provisions of training and loans to tackle the problem of unemployment by exploring foreign employment opportunities in FY 2005/06. Training programs that fall under the Council for Technical Education and Vocational Training (CTEVT), Ministry for Labor and Transport Management, Ministry of Industry, Commerce and Supplies and Ministry of Women, Children and Social Welfare would be undertaken to avoid duplication. These programs would be assessed

to make them compatible to the requirements of foreign employment opportunities. Moreover, to further encourage from the commercial banks for those seeking overseas employment on the guarantee of Credit Guarantee Corporation. For FY 2005/06, continuity has been made to the arrangement of seed money for foreign employment loan programs targeted at providing loan for those seeking foreign employment. The program will bear up to 80 percent of the total expenditure incurred when seeking foreign employment. foreign employment in FY 2005/06, provisions are to be made to provide loans ([www.dofe.gov.np](http://www.dofe.gov.np)).

## **2.8 Economic Impact of Remittances**

Remittances can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption, and poverty and income distribution. Workers' remittances flow in as a component of foreign savings and as such complements national savings by increasing the total pool of resources available for investment. Remittances constitute an integral part of household livelihood strategies. They make a direct contribution to raising household income, while broadening the opportunities to increase income. They also permit households to increase their consumption of local goods and services. At the community level, remittances create multiplier effects in the domestic economy, producing employment opportunities and spurring new economic and social infrastructure and services, especially where effective structures and institutions have been set up to pool and direct remittances. Where these have been set up and encouraged, and where the state is cooperative, remittances can bring about a change, especially in remote rural areas where state resources have not been effective. The poverty reducing and income distribution effect of remittances is also significant. This case is based on the fact that the recipients of remittances are often low-income families whose offspring left the country to work abroad. In this situation, migration is taken as a response to escape poverty at home and improve the income-earning capacity of the migrant by attempting to enter foreign labor markets in richer countries. Again, remittances assist in alleviating poverty of the family of migrants in the home country by supporting their income through transfers. Remittances assist in augmenting national income by providing foreign exchange and raising national savings and investment as well as by providing hard currency to finance essential imports hence curtailing any BOP

crisis.<sup>10</sup> Since they bear no interest, do not have to be repaid, and their utilization is not tied to specific investment projects with high import content, they have a more positive effect on BOP than other monetary flows such as direct investments or loans.

### **2.8 Productive Versus Non Productive Use of Remittance**

It has been shown through a community- and family-level approach that remittances enable better health care, nutrition, housing and education. However, spending patterns are governed by a host of factors such as the strength of the migrant's kinship ties and intent to return to the country of origin. Migrants who wish to return tend to remit more than those who are permanently integrated into the host countries; hence, remittances may slow as ties weaken with time. Although it is true that the propensity to remit, that is, the proportion of income remitted by a migrant, may go down over time, it rarely vanishes, since first-generation migrants (and often even second-generation migrants) continue to send money to their original communities. Even if the propensity to remit declines, the remittance volume rises with the sharp increase in income levels of migrants over time. Other studies have shown that remittances have been important in generating output growth by increasing investment in countries with less developed financial sectors. There is also the fact that many migrants invest their savings in small businesses, real estate or other assets in their own countries and therefore support local markets. In economies where the financial system is under developed, remittances may alleviate credit constraints and act as a substitute for financial development (Giuliano and Ruiz-Arranz, 2006).

Remittance creates demand for consumer goods by reducing constraints on household consumption. This in turn, creates entrepreneurial opportunities and also provides the required capital to finance such activities. There are some studies that have focused on the subject of the use of remittances as capital to finance new businesses and/or acquire new assets within existing business. Studies based on household surveys show that remittances are sent not only to help cover daily expenses but also to invest in business support activities in the migrant's home countries. In a study of remittance patterns in the South Pacific islands, Brown found that a portion of remittances received are invested or saved (Brown, 1994).



If the migrant was an unskilled worker of low productivity, or an unemployed person, demonstrating slack or excess supply in the labor market, it can safely be argued that the impact of migration on output in the home country will be meager. On the other hand, if the emigrant is a highly skilled worker, such as a medical doctor or an information technology professional with a high direct and indirect contribution to output for instance, then the negative growth impact will definitely be large. A few studies undertaken relating to the uses of remittances show that savings produced by remittances are frequently directed to purchases of non-productive assets. Remittances were also seen to increase dependency. These inflows are quite volatile in the sense that countries that rely too much on them may encounter economic shocks when the flow is disrupted. The emergence of remittances as a central issue for development policy has generated some backlash and confusion among politicians and academicians pertaining to the nature of remittances. Some have cited remittances as promoting migration from poor countries, and hence leading to reduced labor pools, lower per capita incomes, increased income inequality, and negative 'demonstration effects. The positive impacts of labor migration include the financial benefits; acquisition of skills; Increased entrepreneurship, exposure and awareness; and in some cases the empowerment of women who become the de facto head of their households in the absence of men. Labor migration can also have negative impacts such as increased work load for women and exposure to health risks, and can lead to social mal practices (ICIMOD,2010).

Different studies on the effect of remittances to economic growth have shown mixed results. Impact of inward remittance on Nepalese economy with purpose of analyses the influence of income from in ward remittances on exports, imports, trade deficit, consumption and GDP in Nepal. By using only secondary data from 2001/02 to 2012/13 were collected from the government documents. Correlation and regression models were used to examine the relationship between remittance income and exports, imports, trade deficit, consumption as well as GDP. However, result she found there was a significant impact of inward-remittance on macroeconomic indicators. The remittance significantly affected the change in trade deficit, but had little effect on the changes in exports. The remittance affects the macro-economic variables. Therefore, the proper utilization of remittance could be a good implication

for the policy-makers and planners to encourage exports by investing the imported goods into productive sectors for the economic development of the nation Tuladhar, (2014).

Pant (2008), conducted a research on “Mobilizing Remittance for productive use: A policy-oriented approach”, the potential for remittances to reduce poverty and economic vulnerability, improve family welfare and stimulate economic development has been of special interest to the governments everywhere. For this to take place, the formulation and implementation of effective remittance-augmenting policies and strategies is the core. This paper thus looks at the different policies initiated by some countries. Policy alternatives for Nepal are then suggested for mobilizing remittances for productive use.

Bhattarai (2005), conducted a research on “Migration of Nepalese Youth for Foreign Employment: Problems and Prospects” with the aim of evaluating the Nepalese government policies and programs related to the regulation and management of foreign employment profession in Nepal with the major objectives as: (i) to identify the major issues and challenges in foreign employment (ii) to identify the problems faced by migrant workers (both male and female) both in home country and the country of destination (iii) to prioritize the needs of international migrant labors (iv) to evaluate the existing government policies and programs and suggest appropriate amendments in the existing policies.

Thagunna (2013) found that the contribution of foreign employment and remittances to Nepalese economy and also identifies the information needs and gaps. An attempt is also made to assess the role of remittances in poverty reduction. At a time when the country's major economic indicators are not favorable, the remittances have played a vital role in maintaining macroeconomic stability and keeping the economy afloat. In a study conducted by IMF (2005) about the impact of remittances on growth over an extended period (1970-2003) for 101 developing countries found no statistical link between remittances and per capita output growth, or between remittances and other variables such as education or investment rates. However, this inconclusive result attributed to measurement difficulties arising from the fact that remittances may behave countercyclical with respect to growth.

Faini (2002), argues that remittances overcome capital market imperfections and allow migrant households to accumulate positive assets. Ang (2007) shows the relationship between workers' remittances and economic growth at the national and at the regional levels in the case of Philippines. He found that at the national level remittances do influence economic growth positively and significantly. When he broke down his analysis at the regional level to confirm the national results, he found that mixed results giving rise to his anecdotal observations those remittances do not positively affect economic growth. In sum, he concludes that remittances have to be translated to value-added activities and investments which are more foundational sources of development and growth.

Chami et al. (2003), covering 113 countries found that remittances had a negative effect on growth. The authors of the study attribute this negative effect on the moral hazard problem that remittances create. Essentially, the study concluded that income from remittances allows receiving families to decrease their own work and productivity, which then translates into a reduction in the labor supply for the developing country. Glytsos (2005) using data for 1969-1998 for Egypt, Greece, Jordan, Morocco, and Portugal shows that the impact of remittances on output varies over time and across countries. For Egypt, Jordan, and Morocco the growth generating capacity of rising remittances characteristic is smaller than the growth destroying capacity of falling remittances. Therefore, the large fluctuations in the real value of remittances contribute to large fluctuations of output growth and cause instability in the economies concerned.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

To meet the objectives of the study, descriptive and exploratory research design were applied in this study. It were used exploratory design to invites to the study area. The data will be collected from the field survey i.e. primary resource. The data were analyzed in descriptive analytical way. In addition, case study was for the household's survey.

#### **3.1 Research Design**

This study we redescriptive and exploratory design because this study was try to focused on impact of Remittance in rural livelihood on the Maijogmai Rural Municipality ward no. 5 of Ilam district. Research design refers to the procedures for the collection of data and its analysis. This study were analyzed all the information collected by field survey.

#### **3.2 Nature and Sources of Data**

This research aims to find out the impact on livelihood of remittance in Maijogmai Rural Municipality ward no. 5 of Ilam. Thus in this study both primary and secondary sources based on quantitative as well as qualitative data will be used. The primary data were collected from, structured questionnaires related to remittance and its impact in order to get accurate and actual information, observation, and unstructured interview. The questionnaires were distributed to a responsive of person. All the secondary data will be collected from different published and unpublished records, reports of government and non-government organizations. Mainly such as report, CBS, news article, Journal etc.

#### **3.3 Sample Size and Sampling Procedure**

The sampling were taken form Maijogmai Rural Municipality Ward no. 5 of Ilam District, the total households of selected wards was 320. Among them, 150 households. Out of 150 households, 30 household's 20 percent will be selected by using sample random sampling method under the probability sampling.

#### **3.4 Data Collection Tools and Techniques**

##### **3.4.1 Household Survey Questionnaire**

To generate the actual data firstly, the study area questionnaire tools has been applied to sample household. It was both opened and closed questions according to the objectives of the study.

#### **3.4.2 Field Visit and Observation**

Each household and respondent selected on the sampling were visited and observed frequently during the study, field visit and observation were conducted participative and unconstructive to the local people. The researchers were also visited to the study area.

#### **3.4.3 Key Informant Interview**

Since this study is based on the exploratory in nature key informant interview were held to those people who has been informed with this site and activities. Key informant interview has been conducted by applying the exploratory method to gather the information about the remittance and its Impact in the study area.

#### **3.5 Methods of presentation and Data Analysis**

The agglomerated data from the study was processed by editing coding, classifying tabulating. The quantitative data were presented in tables and related statistical tools like per cent, ratio etc. has been adopted for data analysis bar diagram, pie charts has been shown to make more attractive figure. The quantitative data were interpreted and analyzed in disruptive were based on their numerical characteristics.

## CHAPTER IV

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Description of the Study Area

The Government of Nepal has divided the nation into seven provinces, 77 districts and 753 local levels for the adequate development of the country. One of the 753 local levels is Maijogmai rural municipality (gaunpalika). There are total 10 municipalities in Ilam in which 4 are urban and 6 are rural. Maijogmai is a rural municipality. Out of six rural municipalities located in Ilam District of Province No. 1 of Nepal.

According to Ministry of Federal Affairs and Local Development Maijogmai has an area of 172.41 square kilometers (66.57 sq mi) and the total population of the municipality is 21044 as of Census of Nepal 2011. To form this new Rural Municipality Naya Bazar, Jogmai, Namsaling Soyang .

#### 4.2 Age of Respondent

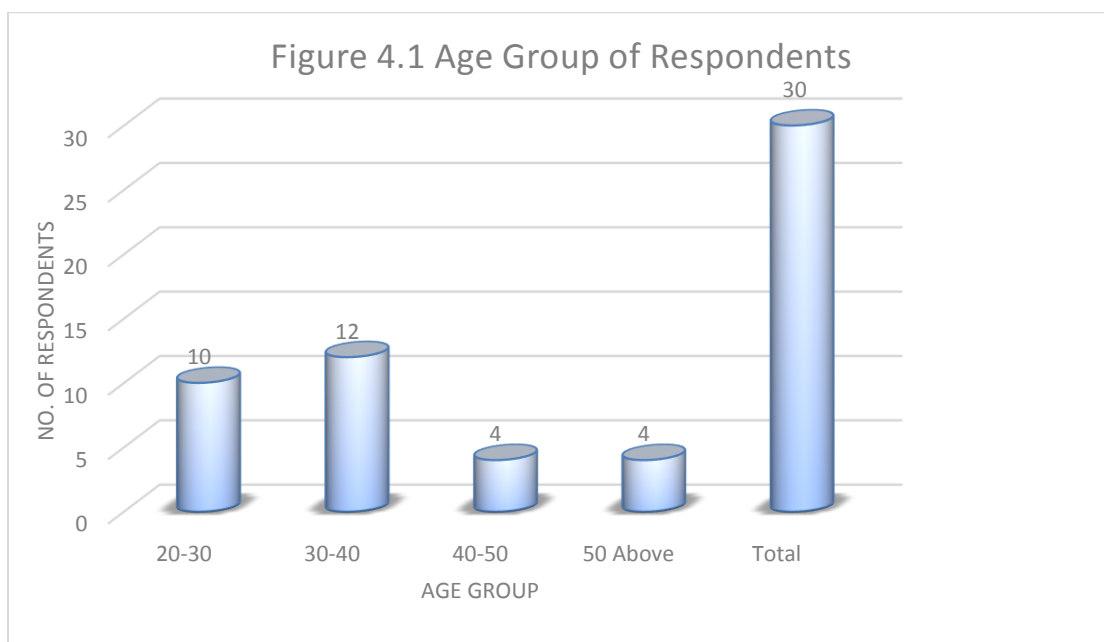
The age of respondent has been analyzed which helps to know how many population and age group have been living in study area.

**Table no. 4.1 Age Group of the Respondents.**

S.N.	Age group	Respondents	Percent
1	20-30	10	33.34
2	30-40	12	40
3	40-50	4	13.33
4	50 above	4	13.33
Total		30	100

Source: Field Survey, 2021

The table no. 4.1 depicts that, the higher portion 5.33 percent respondents are from age group 30-45 and 23.99 percent are from 45-60. Similarly, from age groups 15-30 and above 60 are 26.19 percent and 16.67 percent respectively.



### 4.3 Gender Wise of Respondents

The respondents has been included to show how many population are male and female.

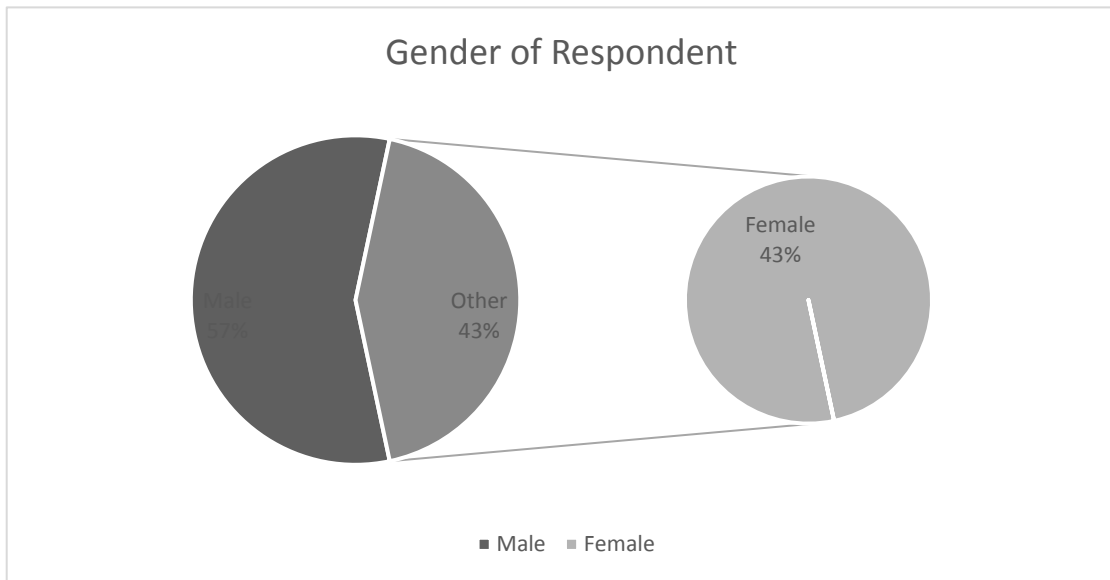
**Table no.4.2 Gender of Respondents**

S.N.	Gender	No. of respondents	Percent
1	Male	17	56.67
2	Female	13	43.33
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey, 2021

The table 4.3 demonstrate that the gender of respondent. Among them 56.67 percent are male and 43.33 percent are female. That means in study area there are majority of male than female.

**Figure no. 4.2 Gender of Respondent**



#### **4.4 Caste Wise Distribution of Respondents**

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.

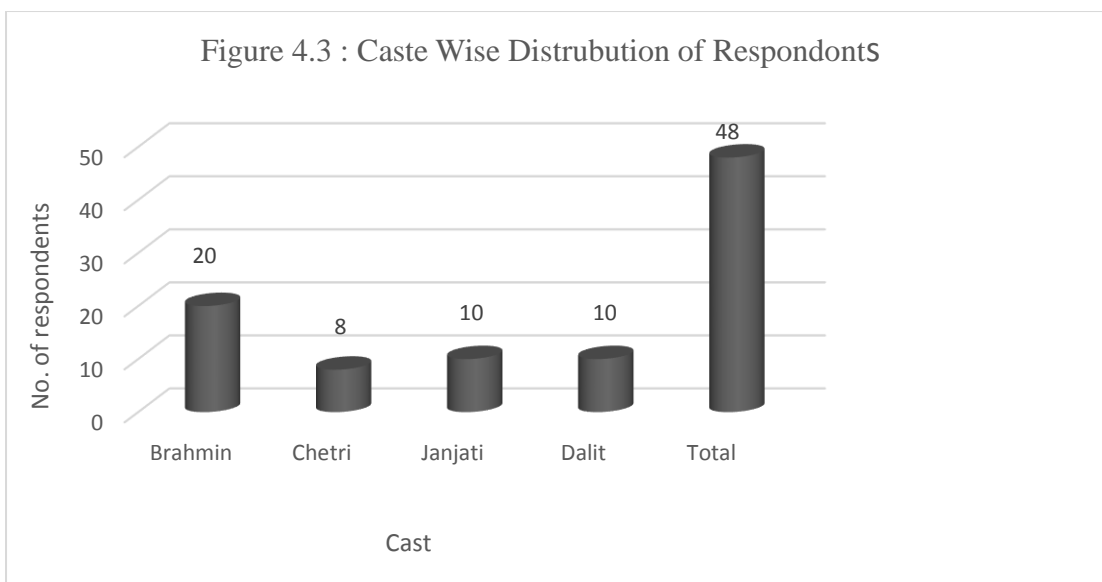
**Table no. 4.3 Caste Wise Distribution of Respondents**

<b>S.N.</b>	<b>Caste</b>	<b>No. of respondents</b>	<b>Percent</b>
1	Brahmin	7	23.33
2	Chhetri	15	50.00
3	Janajati	5	16.67
4	Dalit	3	10.00
	<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2021

Table no. 4.3 shows that out of total Brahmin 23.33 percent are going outside as foreign migrant workers followed by Chhetri 50 percent and Janajati 16.67 percent respectively. Only 10 percent of the households were from Dalit.





#### **4.5 Educational Background of Respondent**

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 no. 4.4 Educational Status of Respondents.**

<b>S.N.</b>	<b>Educational Level</b>	<b>No. of Respondents</b>	<b>Percent</b>
1	Under SLC	15	50.00
2	SLC	7	23.33
3	Intermediate/+2	3	10.00
4	Bachelor or above	5	16.67
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey, 2021

Table no.4.4 table reflect that most of the 50 percent respondents are under SLC followed by 23.33 percent having intermediate education, 23.33 percent have SLC qualification,10 percent are having Intermediate level and only 16.66 percent have bachelor education.

#### 4.6 Annual Saving

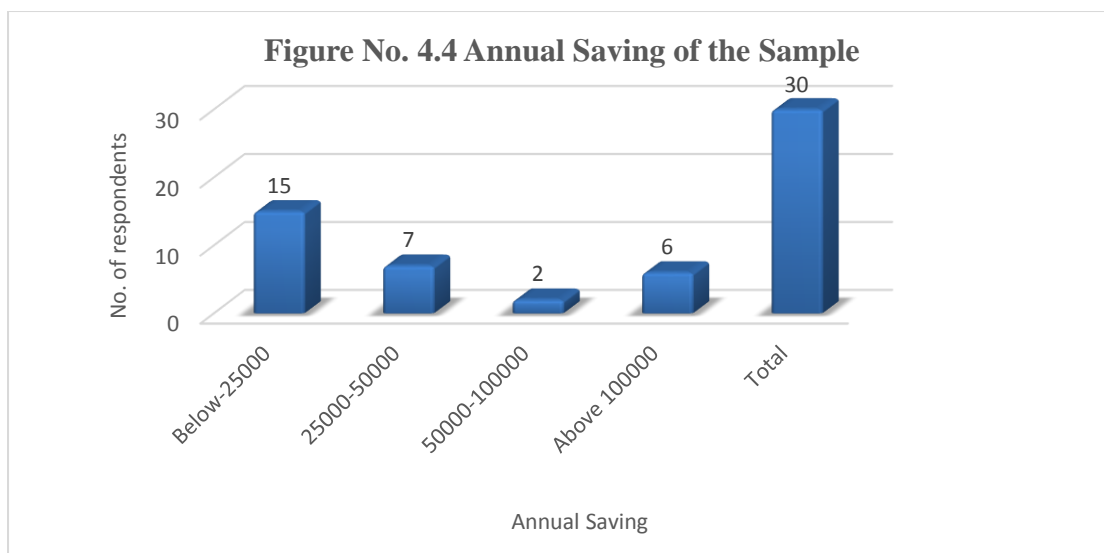
The amount of saving mainly depends upon two things i.e. amount of total income and amount of total expenditure and consumption. The total annual saving of the households has shown below.

**Table no. 4.5 Annual Saving of the Sample**

<b>S.N.</b>	<b>Annual Amount (NRs)</b>	<b>No. of Respondents</b>	<b>Percent</b>
1	Below – 25000	15	50.00
2	25000 – 50000	7	23.33
3	50000 – 100000	2	6.67
4	Above 100000	6	20
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey ,2021

Table no. 4.5 drawn that most of the respondents 50.00 percent had an amount saving of below 25000 and 23.33 percent of the sample HHs had annual saving of 25000 – 50000. Similarly above 100000 having per year was of 20 percent and only 6.67 percent of the sample HHs had saving of 50000 – 100000.



#### 4.7 Use of Remittance

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

**Table no. 4.6 Use of Remittance**

S.N.	Use of Remittance	No. of respondents	Percent
1	Education	10	33.33
2	Buying ornament	5	16.67
3	To buy land	10	33.33
4	HHs expenses	5	16.67
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey, 2021

Table no. 4.6 reveals that out of 33.33 percent spent on Education, 16.67 of them spent on Buying ornaments, 33.33 percent spent on to buy land and rest of 16.67 percent of households uses the remittance for their daily households expenses.

#### 4.8 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 no. 4.7 Types of Job in Abroad**

<b>S.N.</b>	<b>Types of job</b>	<b>No. of Respondents</b>	<b>Percent</b>
1	Construction	4	13.33
2	Industrial	8	26.67
3	Departmental Stores	2	6.67
4	Hotel / Catering	6	20.00
5	Security	10	33.33
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey, 2021

Table no. 4.7 reflects that 33.33 percent respondents have done the work in security. In the same way 26.67 percent respondent have done the work in industrial. Similarly 20 percent respondent have done the work in hotel/catering and 13.33 percent respondent have done work in constructions only 6.67 percent respondents have done work in departmental stores.

#### **4.9 Impact on Food Sufficiency**

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.

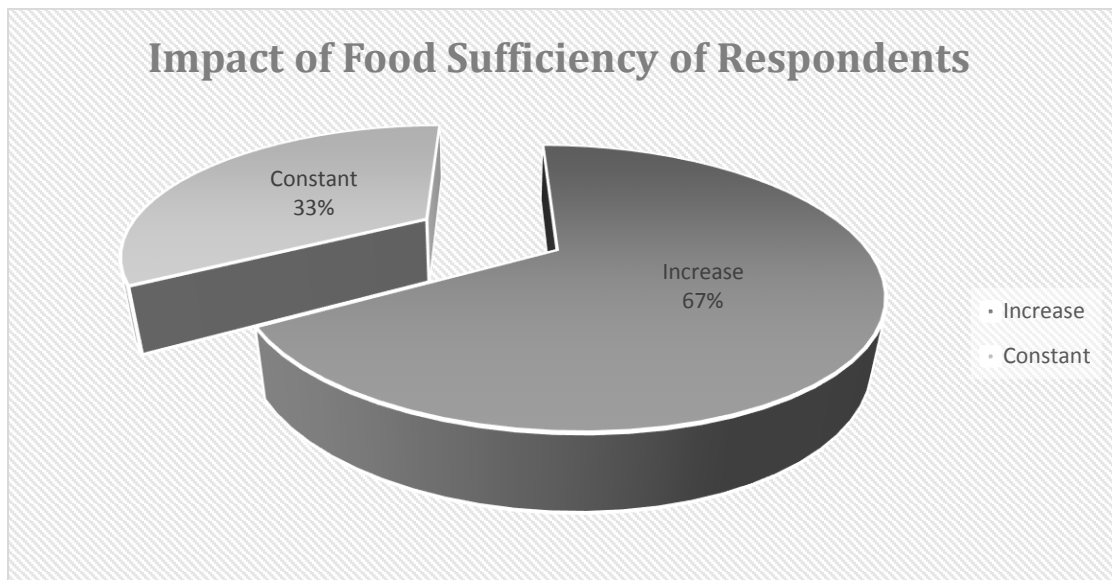
**Table no. 4.8 Impact on Food Sufficiency**

S.N.	Effect on food sufficiency	No. of Respondents	Percent
1	Increase	20	66.67
2	Constant	10	33.33
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey, 2021

The table no 4.8 demonstrate that the effect on food sufficiency in sample HHs. Out of 50 households 66.67percent households have increase food sufficiency and 33.33 percent have constant food sufficiency in study area.

**Figure no. 4.5 Impact of Food Sufficiency**



#### **4.10 Impacts in Housing Condition**

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 no. 4.9 Impacts in Housing Condition of Sample**

Before remittance income			After remittance income		
Housing Condition	No of respondents	Percent	Housing Condition	No of respondents	Percent
RCC	3	10.00	RCC	7	23.33
Tin roof	20	66.67	Tin roof	22	73.33
Thatch	7	23.33	Thatch	1	3.33
<b>Total</b>	<b>30</b>	<b>100</b>	<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey, 2021

Table no. 4.9 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.

#### **4.11 Opportunities Provided by Remittance**

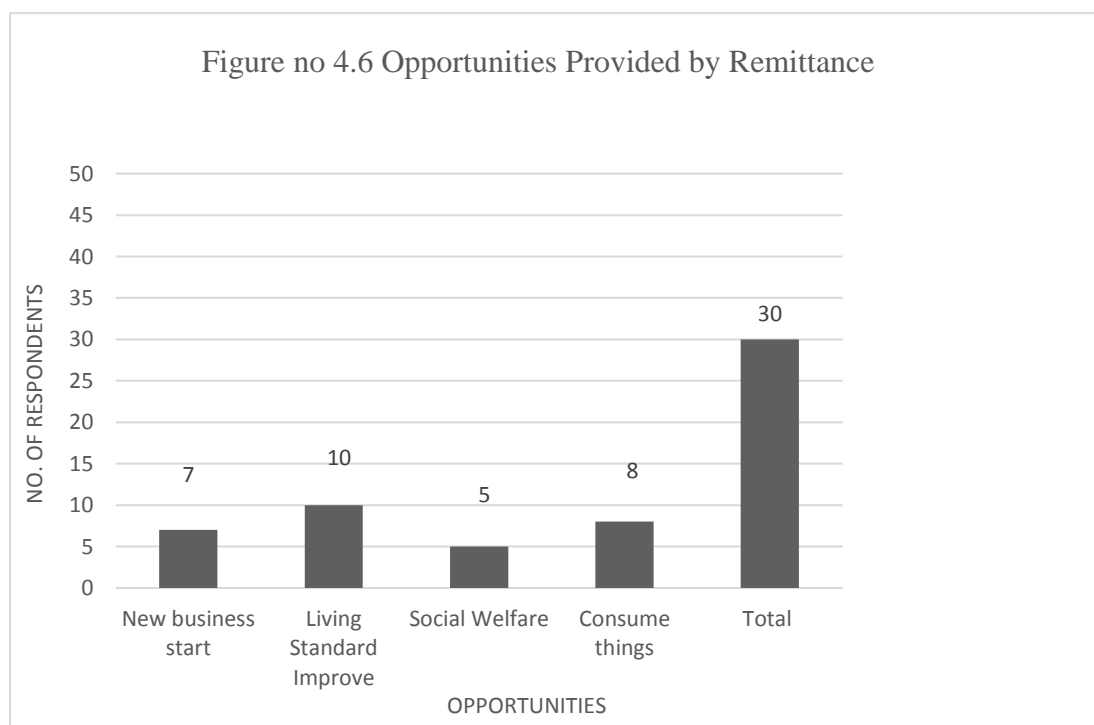
Remittance has been seen as a back bone to the Nepalese economy in recent time and there has been substantial growth of remittance economy. Remittance received should be used in income generating activities or productive sector. So that the people over here can have employment opportunities cash flow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

**Table no. 4.10 Opportunities Provided by Remittance**

S.N.	Opportunities	No. of respondents	Percent
1	New business start	7	23.33
2	Living standard improve	10	33.33
3	Social welfare	5	16.67
4	Consume things	8	26.67
<b>Total</b>		<b>30</b>	<b>100</b>

Source: Field Survey, 2021

Table no.4.10 shows that 33.33 percent respondents have viewed that utilizing remittance in living standard improve is better and 16.67 percent viewed that in social welfare. Similarly 23.33 percent respondent viewed in business and 26.67 percent viewed in consume things. Most of the respondent viewed that the utilization of remittance in entrepreneurship sector is better.





## **CHAPTER V**

### **SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary Findings**

In general remittance is a small amount of money which is sent by the migrates 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. With increasing globalization and liberalization, trend of foreign employment is increasing resulting in rapid growth of remittance received by Nepal. It is found that with the increase in the remittance inflow, there is no further increment of agricultural land. The share of agriculture, forestry and fishing to GDP is found to be decreasing whereas proportion of remittance to GDP is gradually increasing. Due to large number of active youths working abroad, there is problem of labor shortage for agriculture and other works. It also has resulted dependency of families on remittance income. Nepalese economy is gradually transforming into consumption-oriented economy due to remittance, resulting more imports.

The rising trend of youth migration for foreign employment and dependency of remittance has resulted positive as well as negative impact on Nepalese economy. Remittance and GDP showed positive relationship. Foreign employment and thus remittance has played significant role in reduction of poverty and unemployment. Remittance is important source of foreign currency in Nepal. So, government should formulate and implement policies which tap and utilize remittance received in Nepal into productive and investment sectors. Government should provide appropriate investment climate to invest remittance income. Formulation and implementation of appropriate remittance policy can help in boosting up Nepalese economy.

#### **5.2 Conclusion**

Remittance have emerged as one of the premier sources 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 tool for poverty reduction. Though freeing employment is boon to the economy. The facilities are inadequate to back of the increasing trend of migration. From 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 Recommendations**

- i. 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.
- ii. Government should make secure employment policy for promoting foreign employment.
- iii. There should be further research in remittance sector such that we can get clear knowledge in these fields.
- iv. 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.
- v. 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.

- vi. Government should provide loans to the poor people in the cheap interest rate for foreign employment.



## REFERENCE

- Brown, R. (1994). *Migrants' Remittances, Savings and Investments in South Pacific-International Labor Review*. New Delhi: Vintage Books & Publication.
- Bhattarai, B. P. (2005). *The effectiveness of foreign aid: a case study of Nepal*.
- CBS, (2011). "Population census of Nepal 2011." Kathmandu: Central Bureau of Statistics.
- Chami, R., Fullenkamp, C. and Jahjah, S. (2003). *Are Immigrant Remittance Flows a Source of Capital for Development?* IMF Working Paper 03/189 (Washington: International Monetary Fund).
- Chami R. (2008). *Macroeconomic Consequences Of Remittance*, Occasional Paper ,259
- DOFE, (2020), *Government of Nepal Depart of Forgern Employment Nepal*. Lobur Migration Report 2020.
- Dustmann, C. and Kirchamp, O. (2001). *The Optimal Migration Duration and Activity Choice after Re-Migration*, IZA Discussion Paper 266, (Bonn: Institute for the Study of Labor).
- Giuliano, P.R.A. (2005). *Remittances, Financial Development and Growth-IZA Discussion Paper*. (Retrieved from [www.globalremittances.com/countries/record](http://www.globalremittances.com/countries/record))
- ICIMOD. (2010). *Labour Migration and Remittances in Nepal*. Kathmandu:
- ICIMOD. IJEMS (2011). *Livelihood Diversification Strategy in Rural Properties: Water Resource Exploration in Rural Tourism Activity*. Kathmandu: IJEMS
- IMF, (1999), *Balance of Payment manual fifth Edition*. International Monetary Fund. Washington DC. USA.
- JONBS (2006). *Remittance Income in Nepal: Need for Economic Development*. Vol. III, Journal of Nepalese Business Studies.
- Karan Singh Thaguna, (2013). *Empirical Analysis Of Remittance Inflow: The Case of Nepal*

- Mof, (2011). Ministry of Financial, Economics Survey 2011.
- Mikhail, B.O. (2007). *Work related migration and poverty reduction in Nepal*. World Bank Washington, DC.
- Muller and Thieme, (2007). Role of Remittance in Economic Development of Nepal.
- NRB (1997). *Foreign Employment & Remittance Economy*. Kathmandu: Nepal Rastra Bank
- NRB (2002). *Foreign Employment & Remittance Economy*. Kathmandu: Nepal Rastra Bank.
- NRB, (2019/20). Quarterly Economic Bulletin, Volume 53. Kathmandu: Nepal Rastra Bank
- NRB (2010). Quarterly economic bulletin". Kathmandu.
- NLSS, (2011). *Nepal Living Standard Survey (2011)*. Vol. 1 and 2, Kathmandu: Central Bureau of Statistics.
- Panta, B. (2005), *Remittance In flow to Nepal: Economic Impact and Policy Option* Nepal Rastra Bank Samachar NRB Kathmandu Nepal.
- Poprzenovic, Adela 2007, *Remittance and Income Inequality In Croatia*, LuP Student Papers.
- Revenstein, E. G. (1985). *The Laws of Migration Journal of Royal Statistical Society*. Vol. 48 No. 2.
- Riccardo, Faini (2002). *Migration, Remittance and Growth*, In Book International Migration And Asylum.
- Sapkota, Chandan (2009). Economic Growth Trade and Development Policy.
- Sapkota, Chandan (2014). *The Journal Of Development Studies Volume 49*, Published Date 2013/10/01.
- Seddon, D., Adhikari, J. & Gurung, G.(2002). *The New Lahures: Foreign Employment and Remittances Economy of Nepal*. Nepal Institute of Development Studies.
- Seddon, D., (2001), *The New lahure: Foreign employment and Remittance Economy of Nepal.*: Nepal Institute of Developments (NIDS).
- Seddon, D., (2003). *Migration and Remittance: The Case of Nepal of Economic*

*Journal of Nepal*. T.U. Kirtipur, Kathmandu CEDECON, Vol. 26 No. 2. Issue No. 113 April– June 2003.

Seddon, D., Gurung, G., and Adhikari, J. (2000). Foreign Labour Migration and Economy of Nepal, *Himalayan Research Bulletin XVIII* (2)

Shrestha, B. (2008). Contribution of Foreign Employment and Remittances to Nepalese Economy, *Economic Review*, No. 20. P 1-15.

Shrivastava, N. and Chaudhary, S. K. (2007). Role of Remittance in Economic Development in Nepal, *The Journal of Nepalese Business studies*, vol.4, no.1, pp.7110.

Sharma, H. (2006). *Explaining the Remittance Behavior and the Role of Remittance in the GDP Growth in Nepal*, Retrieved from [www.kepe.gr](http://www.kepe.gr) on March 8, 2009.

Woodruff and Zenteno, (2001). Christopher M. Woodruff and Rene Zenteno, *Remittance and Micro Enterprises in Mexico*.

[www.google.com](http://www.google.com)

[www.dofe.gov.np](http://www.dofe.gov.np)

[www.mof.gov.np](http://www.mof.gov.np)

[www.moless.gov.np](http://www.moless.gov.np)

[www.nepalnews.com.np/ntimes/issues169/economy](http://www.nepalnews.com.np/ntimes/issues169/economy)

**ANNEX I**  
**QUESTIONNAIRE**

This questionnaire is prepared to complete the Master's thesis for data collection purpose for survey December 2020 to February 2021 of "IMPACT OF REMITTANCE IN LIVELIHOOD OF RURAL: A Case study of Majjogmai Rural Municipality ward No.5" Ilam District Please answer the questions below.

1.1 Name of respondents.....

1.2 Name of village.....

1.3 Ward no.....

1.4 Name of house hold head.....

1.5 Gender.....Male.....Female.....

1.6 Age of respondent.....

1.7 Number of household members.....Male.....Female.....

1.8 Caste

Kirat.....Buddhist.....Bhamin.....Chettri.....Dalit.....Othres.....

1.9 Religion

Hindu  Buddhist  Kirat  Othres

1.10 Main occupation of household member

1.11 agricultur  Services  Foregin employment

Others

2.How many members are in your family?

3.How many members from your family have been migrated for foreign employment?

4.In which nations they are and what is their occupation there?

5.How many times migrated members send money in a year?



6.How much amount they send at a time?

7.From which source they send Money?

a. Bank or remittance company

b. Friends, relatives and others

8.How do you divide received money following headings?

a.Daily needs goods like rice, pulse, vegetables etc

b. Durable goods like TV, Computer

c.Health, education and training

d. Saving

e. Investment (in share, cottage industry and other)

f. Loan repayment

g. Others

9.Is the money earned through remittance is sufficient to make smooth operation of your family?

10. Mostly In which sector receive money is being used?

a. Education

b. Business

c. Agriculture

- d. HHs expenditure
- e. Saving
- f. Other

11. Annual ratio of receiving money from abroad?

- a. Regular in a month
- b. In between 3 month later
- c. Twice a year
- d. Every year
- e. Other(Specify)

12. Is there any source of income of your family besides remittance?

1. If yes what they are?

2. How much is your family annual income? (in 000) not

S.N.	Annual income (000)	Before receiving Remittance	After Receiving Remittance
1.	Less than 200		
2.	200 to 400		
3.	400 to 600		
4.	600 to 800		
5.	800 to 1000		
6.	1000 to 1200		
7	More than 1200		

13. What is the main source of income of your family?

Source of income	Before	After
Farming		
Business		
Service		
Animal husbandry		
Daily wages labor		

Other		
-------	--	--

Date-

Signature