



Trends, Patterns and Effects of Remittance in Nepal

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Abstract

*Remittance refers the sending or transfer of cash or kinds received or sent or by individual or household from one place to another place within the country or our of country through the legal channel and it is **important** lifeline in many developing countries. Almost 25 percent GDP of Nepal covered by Remittance. The main purpose of this article is to analyzed trends, patterns, using areas, coverage of remittance and its' social effects in Nepal. An article is prepared on the basis of available data /information related to remittance sent in Nepal. Other data/information has not been collected and analyzed by the Author rather than Remittance Transfer situation of Nepal and its social effects. The sources of information has been clearly mentioned and also given the references. Author has prepared this article maintaining the academic ethics and value. Secondary based quantitative information are analyzed and interpreted with inductive approach. Percent of household receiving the remittance almost three times increased since 1995/96 to 2010/11 and it is gradually increased until fiscal year 2017/18. Terai household received more remittance comparing to mountain and hills. Same way, more remittance are receiving by rural areas comparing to urban areas. The remittance is coverage the almost more than 25 percent GDP of Nepal. Largest amount of remittance utilize for food and cloths. However, there are huge effects of the remittance in Nepalese society (CBS, 2014, KC B.B. 2017 and Nepal Rastra Bank, FY 2018/19)*

Keywords: *Development, Gross Domestic Product (GDP), Remittance, Social, Transfer*

Introduction

As Scott F., (2012), Remittance refers the transfer or sent the cash or kinds (goods) one place to another place within the country or out of country using the authorized or legal channel and that cash and kinds could be transferred by individual, household or institutions. A remittance payment is the transfer of money from one account to another, generally overseas. This does not even include business payments across countries which run into trillions of dollars. However, Remittance is becoming significance source of income in Nepalese economic because of increasing out flow of the foreign employment or migrants around the world from the Nepal. Presently around 1200 Nepalese economically active population are leaving the country through the legal channel besides India. And the same ratio Nepalese migrants are working in India. But those who are working in India they are facing many problems to transfer or bring the remittance in their home country. Large number of

migrants are losing their earning because they used to send earning through informal channel. Thus, they are facing problems of sending cost, theft and bribery etc

As World Bank (2011), Remittances are the financial counterparts of migration. Since few years remittance is becoming the new sources or playing the vital role to poverty reduction or alleviation in rural societies of developing countries. Since last more than decade the remittance flow is growing and its share is increased in Nepalese economic. The value of remittance is 76 times increased during the 18 years of time between 1991-2008 and presently it has reached Nepalese Rupees 139 billions (US \$ equivalent 2 billions which play to vital role to poverty reduction from 41.7 percent in 1995/096 to around 30.9 percent in 2003/2004. As World Bank's Fact book 2011, 23 percent GDP of Nepal is covered by remittance.

As World Bank, (2018) Remittances is main income source or lifeline of people in many developing countries. Most of the developing countries are depending on remittance rather than promoting, enhancing and sustaining the local economy. However, remittance flow is supporting to negative impact in global economy. Nepalese foreign employeres transferd their income as a remittance almost 8.1 billion USD in 2018 and it was 19th biggest beneficiarey amount sent by foreign employers (migratnts) all over the world.

Objectives

The main objective of this article is to analyzed Trends, Patterns and Impacts of Remittance Nepal

Limitation

The author has been prepared this article on the basis data/ information related to remittance dimensions of Nepal. The author has not been collected and analyzed other data/information rather than social impacts of remittance and its dimension of Nepal. Author also have used the secondary data/information collected through different sources and those are analyzed carefully to make more meaningful and reader readable.

Methods and Materials

The author has been prepared this article on the basis of secondary and quantitative data/ information applying the descriptive and cross-sectional methods. Collected information are described with inductive approaches. The required data/information are collected from different sources and that information are re-calculated, re-tabulated and re- arrangement and interpreted to make meaningful which can easily readout and understood the Nepal's situation of trend, pattern of remittance, utilization area of remittance and its impact in social phenomena.

Result and Discussion

As CBS (2011), the proportion of all households that received remittance is 56 percent in Nepal. The average income transfer in the form of remittances is NRs. 80,436 per household. NRs. 9245 is per capita remittance of whole population of Nepal. In the Terai and Hilly regions of Nepal, almost two in three households are receiving remittance from the foreign employment. But in the mountain region one in two household is receiving remittance. However, Terai and Hilly regions's people are receiving remittance more than two times comparing to Mountain region. While analyzed the remittance receiving status of rural and urban area, rural setting is receiving more remittance comparing to urban settings. Among the total households, household of Kathmandu valley is receiving less remittance comparing to other urban areas.

As Khatri B.B (2017), foreign labour employment/ migration is the main source of Rural Nepal society and it has the great probability to improve the social economic condition of foreign migrants' households. As his research findings, all most all migrants' households are investing large amount of remittance household amenities, health treatment/care, child education, repay loan festival celebration, building house, buying land etc. they are investing small amount in productive business activities, and saving for future betterment.

Table 1:

Remittance and Transfers from Different Countries in Nepal 1995/1996 – 2010/2011

Details	Amount and percent of Remittance		
	1995/1996	2003/2004	2010/2011
Average amount of remittance per recipient household in NRs.	1516	34698	80436
Percent of all households receiving remittance	23.4	31.9	55.8
Share of total amount of remittances received by household			
From within the Nepal (in percent)	44.7	23.5	19.6
From India (in percent)	32.9	23.5	11.3
From other countries (UK, Japan, America etc)	22.4	53.3	69.1
Share of remittance in total household income among recipients	26.6	35.4	30.9
Per capita remittance received for all Nepal (NRs.	625	2100	9245
Total amount of remittance received (NRs. In millions)	12,957.8	46,365.5	259.088.5

Source: CBS 2014

Percent of household receiving remittance almost two and halves times increased since 1995/96 to 2010/11. It was 23.4 percent in 1995/96, 31.9 percent in 2003/04 and 55.8 percent in 2010/11.

Receiving remittance one place to another place within Nepal is decreased almost half, same way from India almost three fold decreased but receiving remittance from other countries are three fold increased during 15 years period. It shows remittance receiving from third world countries is massively increased. Remittance receiving coverage 26.6 percent household income in 1995/96 and 35.4 percent household income coverage in 2003/04 and 30.9 percent household income coverage in 2010/11. It seems that percent of household income coverage by remittance is decreased. Per capita remittance

was Rs.625 in 1995/96 and it has increased and reached Rs.2100 in 2003/04 and again decreased in 2010/11 (Table 1)

Table 2:

Number and Size of Remittance Received by Eco. zone

Eco-zone	Number of Household receiving remittance		Number of Remittance receiving by Household	Average Number of remittance recipient's household	Average amount of remittance in Rs.	Per capita remittance received In Rs.
Mountain	229	55.0	393	1.7	45380	5075
Hills	1483	49.2	2215	1.5	96911	10525
Terai	1466	62.7	2543	1.7	71713	8687
Nepal	3178	55.8	5151	1.7	80436	9245

Source: CBS 2014

As ecological zones, 229 remittance received by 393 household in mountain zone which has coverage 55 percent. Similarly, 1483 remittance received 2215 household in hills regions which coverage 49.2 percent. However, Terai's household received more remittance comparing to mountain and hills region (table 2)

Table 3:

Number and Size of Remittance Received by Rural -Urban Settings

Rural- Urban settings	Number of Household receiving remittance		Number of Remittance receiving by Household	Average Number of remittance recipient's household	Average amount of remittance in Rs.	Per capita remittance received In Rs.
Rural	2246	58.2	3718	1.7	70759	8285
Urban	932	46.7	1433	1.6	126049	13333
Nepal	3178	55.8	5151	1.7	80436	9245

Source: CBS 2014

In Rural area 2246 remittance received by 3718 household which coverage 58.2 percent. Whereas, 932 remittance received by 1433 household which are coverage 46.7 percent urban areas,. Rural household receives more remittance comparing to urban setting. In Nepal, total 3178 remittances received by 5151 households which is coverage 55.8 percent (table 3)

Table 4:*Percent Distribution Remittance Receiving Internal and External Source by Eco. Zone and Rural Urban Settings*

Areas	Internal source		External Source						Donor Agency	Total
	Rural	Urban	Malaysia	Saudi Arabia	Qatar	UK	India	Other		
Eco. Zone										
Mountain	47.3	25.6	5.2	3.8	2.7	0.4	10.1	4.9	0.0	100
Hills	32.5	21.3	5.1	4.4	7.3	1.4	17.8	10.1	0.1	100
Terai	42.6	16.5	3.8	4.6	6.8	0.6	20.3	4.9	0.0	100
Rural -Urban Areas										
Rural	30.3	26.7	3.5	4.0	4.8	3.3	11.5	15.8	0.1	100
Urban	40.8	17.5	4.6	4.6	7.1	0.4	20.0	5.1	0.1	100
Nepal	39.0	19.0	4.4	4.5	6.7	0.9	18.6	6.9	0.1	100

Source: CBS 2014

In mountain region, 25.6 percent remittance received from urban Nepal, 47.3 percent received from rural Nepal and around 26 percent remittance received from other countries including India. Hill regions received 21.3 percent remittance from urban Nepal, 32.5 percent received from rural Nepal and around 48 percent remittance received by other countries including India. Terai region, 16.5 percent remittance received by urban Nepal, 42.6 percent received by rural Nepal and around 38 percent remittance received by other countries. Seems, hill regions received more remittance from other countries rather than within Nepal countries. As rural urban areas, almost equal percent remittance are received by other countries (table 4)

Table 5:*Number, Size, And Share of Remittances Received from Internal and External Sources*

Remittance sources	Amount of remittance received (NRs.)	Total Numbers of remittance received	Total amount of remittance received (NRs.)	Share of remittance received
Internal source				
Rural Nepal	12,127	1923	251,725,058,86	9.7
Urban Nepal	254541	1024	257,135,39244	9.9
External Source in NRs.				
India	294,99	919	291,97,865,119	11.3
Malaysia	934,74	223	217,7650,8833	8.4
Saudi Arabia	108,561	221	257,709,963,09	9.9
Qatar	115,794	322	413,278,871,24	16.0
United Kingdom	164,842	70	771,957,6662	3.0
Other country	224,609	446	823,628,03100	31.8
Donor agency	6547	3	467,951,83	0.0
Nepal	58335	5151	259,088,477,460	100

Source: CBS 2014

Highest numbers of remittance are received from other countries rather than from rural-urban areas of Nepal. Among the major foreign countries who are sending remittance, India has send most largest number of remittance and second is Qatar, third is Malaysia, fourth is Saudi Arabia fifth is United Kingdom and others countries (table 5)

Table 6:
Percent Distribution of Households Share of Remittance on Household Income

Areas	Number of Households Receiving Remittance	Percent of Households Receiving Remittance	Remittances Share on Income
Mountain	229	7.2	28.2
Hills	1483	46.7	32.7
Tarai	1466	46.1	29.8
Rural Urban Settings			
Rural	2246	70.7	30.4
Urban	932	29.3	32.9
Nepal	3178	100.0	30.9

Source: CBS 2014

In Mountain regions, 229 households have received 7.2 percent remittance which covers 28.2 percent of their total income. Furthermore, 1483 household of Hills region received 46.7 percent remittance which covers 32.7 percent of their total income. In the Terai region, 1466 household received 46.1 percent remittance which covers 29.8 percent of their total income. However, highest number of remittance are receiving by Hill region and which covers 32.7 percent of their total income. Furthermore, 932 household of Urban areas are receiving 29.3 percent remittance which covers 32.9 percent of their total income 2246 household of rural areas are receiving 70.7 percent remittance which covers 30.4 percent of their total income (table 6)

Table 7:
Percent Distribution Source and Means of Remittance Transfer

Remittance sources	Transfer means						Total
	Hundi	Friends	Financial institution	Self	Family member and relatives	Others	
Internal Sources							
Rural	0.3	3.3	2.0	87.7	4.9	1.8	100.0
Urban	1.6	8.4	4.6	76.6	6.0	2.9	100.0
External sources							
Soudi Arabia	3.8	7.3	72.6	11.1	4.4	0.9	100.0
Malaysia	7.4	3.3	81.0	4.9	3.4	0.0	100.0
UK	5.4	15.1	41.5	21.6	12.0	4.4	100.0

Qatar	11.6	8.5	63.9	13.2	1.7	1.2	100.0
India	1.8	27.4	8.5	52.5	7.1	2.7	100.0
Donor agency	0.0	0.0	0.0	100.0	0.0	0.0	100.0
Other country	5.5	11.2	61.3	16.4	4.3	1.2	100.0
Nepal	2.5	-	18.9	61.5	5.2	2.0	100.0

Source: CBS 2014

While analyzed the means of remittance transfer, in urban areas, 4.6 percent transfers by financial institution, 1.6 percent transfers by Hundi, 76.6 percent transfer by self. 8.4 percent transfers by friends, 6 percent transfers by family members and other relatives and 2.9 percent transfers by other means but they have not specified. Highest percent (76.6%) remittance transfers by them self and second highest by friends. And in rural areas, highest percent remittance transferred by self and second highest by family members. While analyzed by countries wise, largest percent (52.5%) remittance from India transferred by self and 27.4 percent by friends. But from Malaysia, 81 percent remittance transferred by financial institutions. Same way, 81 percent remittance transferred from Malaysia, 72.6 percent transferred from Saudi Arabia, 63.9 percent transferred from Qatar, 41.5 percent transferred from UK, 61.3 percent remittance transferred from Others countries by financial Institutions and rest of them send by Hundi, by themselves, friends, family members and others sources. Among of the remittance transfer means, Hundi is minority means (table 7)

Table 8:

Percent Distribution of Remittance Sources and Primary Uses of Remittance

Remittance sources	Remittance using practice								Total
	Repay loan	Saving	Household property	Business	Capital formation	Education	Daily consumption	Others	
Internal									
Rural	0.5	0.4	5.6	0.3	1.2	3.6	86.6	1.9	100
Urban	1.4	0.5	3.8	0.4	2.1	3.5	84.5	3.9	100
External									
Malaysia	30.0	0.9	5.0	1.2	4.3	4.3	52.1	2.2	100.0
Qatar	25.8	0.5	4.3	0.3	6.2	5.0	5.0	2.5	
Saudi Arabia	31.0	0.6	2.8	0.5	4.3	1.2	57.6	2.1	100.0
UK	10.2	3.2	2.0	2.0	3.6	0.0	74.2	4.8	100.0
Other country	19.1	3.1	1.6	1.6	4.6	6.3	59.1		
Donor agency	0.0	0.0	0.0	0.0	0.0	16.1	41.9	41.9	100.0
India	4.5	0.4	4.2	0.3	2.0	2.2	84.6	1.9	100.0
Nepal	7.1	0.6	4.5	0.5	2.4	3.5	78.8	2.5	100.0

Source: CBS, 2014

While analyze the consumption patterns of remittance, in Rural areas, 84.5 percent remittance using for daily consumption, 3.5 percent area using fo education, 2.1 percent are using capital formation, 0.4 percent remittance are using in business, 3.8 percent remittance are using in household property, 0.5 percent remittance are saving, 1.4 percent remittance are using to Re-pay of loan and 3.9 percent remittance are using for others purpose but they have not specified. Sameway, in rural areas, 86.6 percent remittance are using for daily consumption, 3.6 percent are using for education, 1.2 percent remittance are suing for capital formation, 0.3 percent remittance are using for business, 5.6 percent remittance are using for household property, 0.4 percent remittance are using for saving, 0.5 percent remittance are using for re-pay of loan and 1.9 percent remittance are suing for other purpose which are not specified. However, highest percent of remittance are using in daily consumption and lowest percent of remittance are using in saving in both urban and rural areas.

Highest percent of remittance send by India, Malaysia, Saudi Arabia, Qatar, UK, and other countries are using in daily expenses and lowest percent remittance are saving. Proportion of utilization the remittance in education, capital formation, Business, household property and Re-pay loan are the same as Rural-Urban patterns (table 8)

Table 9:

Utilization of Remittances by Migrant Families (Khanigaun Village of Resunga Municipality, Gulmi District) (2017)

Remittance utilization areas	(No) Multiple Response	Percent
Using to celebration of festive	35	2
Using for health and hygiene	65	6
Using for education/Schooling	85	20
Using for buying land	35	11
Loan Repayment	38	4
Investment in business	16	7
Using for food and cloths	95	26
Using for social and religious activities	9	1
Bank saving	32	9
House repairing and construction	55	7

Source: *Khatri, B.B., 2017, Nepalese Journal of Development and Rural Studies, P.19*

As table 9, first priority to utilize of remittance is in food and clothes, second priority is utilize in education/schooling, third priorities is to utilize investment in land, fourth priorities of utilize remittance in bank deposit, fifth highest utilize in home construction and repair and investment in business, sixth priorities is to utilize the remittance for health and hygiene, seventh priorities is to utilize the remittance for repayment of loan, eighth priorities of utilize the remittance for marriage and ceremonies, ninths priorities is to utilize the remittance for festivals, entertainments, giving loan and others consumption able goods. However highest amount of remittance are using for food and cloths.

Table 10:
Distribution of Remittance Inflow and Ratio in GDP (2013/14- 2018/19)

Descriptions	Year					
	2013/2014	2014/2015	2015/2016	2016/2017	20.17/2018	2017/2018
Remittance inflow (NRs. In billions)	543.3	617.3	665.1	695.5	755.1	582.2
Percent	25.0	13.6	7.7	4.6	8.6	23.4
Remittance inflow to current account receipt	60.3	61.5	64.0	60.6	62.3	63.4
Remittance ratio in GDP	27.7	29.0	29.5	26.0	24.9	26.2
Remittance inflow to current transfer income	85.6	86.6	85.0	81.3	86.7	86.9

Source: *Nepal Rastra Bank, FY 2018/19*

Remittance inflow was 543.3 billions in fiscal year 2013/2014 which was changed 25 percent than previous year and that much remittance inflow was covered 27.7 percent, National GDP, share of remittance inflow to current account receipt is 60.3, share of remittance inflow to current transfer income was 85.6 percent. Same way total remittance inflow was 617.3 NRs. billions in the fiscal year 2014/2015 and change of remittance was 13.6 percent, GDP coverage was 29 percent, share remittance inflow to current account receipt was 61.5 and share of remittance inflow to current transfer income was 86.6. It has gradually increased until fiscal year 2017/2018 and decreased in the fiscal year 2018/19. However, more than 25 percent National GDP is covered by remittance except the fiscal year 2017/2018 of Nepal (table 10)

Social Effects of Remittance

As Living Standard Survey Report (CBS,2011), there is many empirical evidence, remittances contributes the economic growth, through its positive impact on saving, consumption and investment in different productive sectors, Remittances provides the financial market support and monetary policy development in the developing countries like Nepal. Living standard of rural people have been drastically changed through the remittance including access in education attainment of children, access in health care services, food consumption, purchasing power is increased, transportation, electronic technologies, information and communication, market, entertainment, linkage to rural urban, purchasing household commodities are increased, personal properties purchasing, women empowerment, capability of saving and rebuilding house, standardized of living standard and economically empowerment.

As World Bank (2019), the extreme poverty in Nepal has been declined from 70 percent to 25 percent within last 15 years period of time and other billions NRs. Arrived in Nepalese households during the same period. Out from those amount, large amount investment in social sectors and infrastructure.

Conclusion

Percent of household receiving the remittance almost three times increased since 1995/96 to 2010/11 and it is gradually increased until fiscal year 2017/18. Terai household received more remittance comparing to mountain and hills and more remittance are receiving by rural areas comparing to urban areas. India, Malaysia, Soudi Arabia, Qatar, Dubai, UK are the main remittance sender countries and from this countries, largest percent of remittance transferred by financial institutions but from India and within Nepal from urban to rural and rural to urban largest percent remittance transferred by themselves, friends and family members. Largest percent of remittance they are using for daily consumption ie. Food and cloths, and nominal percent amount are saving for future. Proportion of utilization the remittance in education, capital formation, business, household property and Re-pay loan are the same as Rural-Urban patterns. The remittance is coverage the more than 25 percent GDP of Nepal. However, there are both positive and negative impact of the remittance in Nepalese society.

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