

BRAIN DRAIN OR BRAIN GAIN? THE IMPACT OF YOUTH MIGRATION ON NEPAL'S DEVELOPMENT

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ABSTRACT

Nepal has been experiencing an unprecedented scale of youth migration over the last decade. For many households, sending a young family member abroad for work or study has become a normal survival strategy rather than an exception. This situation has created a serious national debate: is Nepal losing its most productive human resources in the form of brain drain, or can migration still contribute positively to development as brain gain? Using secondary data from government reports, Nepal Rastra Bank publications, census data, international organizations, and existing academic studies, this paper examines the economic, social, and institutional impacts of youth migration on Nepal's development process.

Recent data indicate that more than 2.5 million Nepalis have migrated abroad during the last three years alone, while remittance inflows reached approximately NPR 1.723 trillion in fiscal year 2024/25, accounting for nearly 28.6 percent of GDP (Nepal Rastra Bank [NRB], 2025). Although remittances have played a critical role in reducing poverty, stabilizing foreign exchange reserves, and supporting household consumption, Nepal is

increasingly facing labor shortages in agriculture, health, education, and technical fields. Demographic imbalance, declining productivity, weak innovation capacity, and low productive use of remittance raise serious concerns about the sustainability of remittance-led growth.

This paper argues that, in the absence of strategic policies focused on domestic employment generation, quality education, skill retention, and structured diaspora engagement, youth migration in Nepal is more likely to remain a net brain drain. However, with appropriate institutional reforms and long-term planning, migration can still be transformed into brain gain. The paper concludes with policy-oriented recommendations aimed at aligning migration with Nepal's broader development goals.

Keywords: brain drain; youth migration; remittances; human capital; Nepal; economic development

JEL Classification: F22; J61; O15; O53

1. INTRODUCTION

Nepal is demographically a young country, but economically it struggles to absorb its growing labor force. Every year, thousands of youths complete school and university education with high expectations, yet the domestic economy fails to provide sufficient and decent employment opportunities. As a result, foreign employment and overseas education have emerged as one of the most important livelihood strategies for Nepali households.

In recent years, the scale of migration has increased sharply. According to official records, around 1.67 million Nepalis migrated abroad in 2024 alone through labor approvals and student permits. Over the last three years, the total outflow is estimated to exceed 2.5 million individuals, which represents nearly eight percent of Nepal's total population (Department of Foreign Employment [DoFE], 2024; Central

Bureau of Statistics [CBS], 2023). During the same period, remittance inflows reached NPR 1.723 trillion in fiscal year 2024/25, contributing approximately 28.6 percent of the country's gross domestic product (NRB, 2025). Remittance grew by more than 19 percent compared to the previous year.

These figures show that migration is no longer a marginal phenomenon; it has become one of the main pillars of Nepal's economy. Remittance income supports household consumption, children's education, health care, housing, and daily expenses. At the macro level, it helps maintain foreign exchange reserves and reduces pressure on balance of payments. However, the growing dependence on migration also raises deep concerns. Nepal is increasingly facing shortages of skilled and semi-skilled labor in agriculture, construction, health services, engineering, education, and information technology. Villages are losing young workers, farmland is being abandoned, and public institutions struggle to retain trained professionals.

This situation raises a fundamental question: is Nepal benefiting from youth migration, or is it slowly weakening its development potential? In other words, is Nepal facing brain drain or brain gain? The answer is complex and cannot be explained only by remittance figures. It requires a broader analysis of labor markets, human capital formation, social change, and institutional capacity.

This paper explores the brain drain versus brain gain debate in the context of Nepal. It synthesizes existing literature and recent data to analyze the drivers of youth migration, its economic and social impacts, and the conditions under which migration could contribute to long-term development. The objective is to provide a balanced and policy-relevant discussion useful for researchers, students, and policymakers.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Concept of Brain Drain and Brain Gain

The concept of brain drain traditionally refers to the migration of skilled and educated individuals from developing countries to more developed economies, resulting in a loss of human capital in the country of origin (Docquier & Rapoport, 2012). Early development theories viewed this process as largely negative because poor countries invest scarce resources in education and training but fail to receive returns when individuals migrate.

In Nepal, concerns about brain drain are particularly strong in sectors such as health services, engineering, agriculture, information technology, and higher education. The migration of doctors, nurses, engineers, university graduates, and researchers has created gaps in service delivery and weakened institutional capacity, especially in rural and remote areas.

However, more recent literature offers a more nuanced understanding. Scholars argue that migration does not always result in pure loss. Under certain conditions, it can generate brain gain through remittance inflows, return migration with enhanced skills, diaspora investment, technology transfer, and international networks (Docquier et al., 2014; World Bank, 2019). According to this view, the development outcome of migration depends heavily on governance quality, labor market conditions, and policy frameworks in the country of origin.

2.2 Remittance and Economic Growth in Nepal

A large body of empirical literature highlights the positive role of remittances in Nepal's economy. Acharya (2017) finds that remittance inflows have a statistically significant positive effect on GDP, GNP, and per capita income. Using long-run time series data, Shrestha (2022) shows that remittance and economic growth are

cointegrated, suggesting a stable long-term relationship between them.

Nepal Rastra Bank regularly reports that remittance has helped stabilize foreign exchange reserves and support macroeconomic stability (NRB, 2024; NRB, 2025). At the household level, remittance income has contributed to poverty reduction, better nutrition, higher school enrollment, and improved access to health services (World Bank, 2023). These findings indicate that remittance plays an important cushioning role in a low-income and disaster-prone economy like Nepal.

2.3 Limitations of Remittance-led Development

Despite these benefits, many scholars caution against excessive dependence on remittance. Uprety (2022) argues that remittance income in Nepal is largely used for consumption, real estate, and imported goods rather than productive investment. This pattern increases trade deficits and discourages domestic production.

Pant (2024) emphasizes that foreign employment-driven growth creates structural dependency and exposes the economy to external shocks, such as global recessions, oil price fluctuations, or policy changes in destination countries. Moreover, remittance does not automatically translate into industrialization, technological progress, or job creation at home.

2.4 Social and Sectoral Impacts of Youth Migration

Beyond economics, migration has deep social impacts. Ghimire (2024) notes that long-term absence of young family members affects household structure, care of elderly parents, and community cohesion. Children often grow up with one or both parents abroad, which can have mixed social and psychological outcomes.

In agriculture, youth migration has resulted in labor shortages, land abandonment, and declining productivity. Several studies show that rural Nepal is increasingly dependent on

remittance rather than farming, raising concerns about food security and sustainability (FAO, 2018; CBS, 2023). In health and education sectors, skilled migration has weakened service delivery, particularly in rural areas.

2.5 Push and Pull Factors of Youth Migration

Youth migration in Nepal is driven by a combination of push and pull factors. Push factors include unemployment, low wages, political instability, weak governance, limited research opportunities, and poor working conditions (Gyanwali & Bashyal, 2025). Stagnant agricultural productivity and lack of industrial jobs further push youths out of the country.

Pull factors include higher wages, better job security, advanced education, and improved living standards in destination countries. Migration networks, social media, and success stories of returnees reinforce migration aspirations. As a result, migration has become a normalized expectation among Nepali youths.

2.6 Migration–Development Nexus: Analytical Framework

This study adopts the migration–development nexus framework, which views migration as a process capable of producing both positive and negative outcomes (de Haas, 2010). The final impact depends on how remittances are used, whether skills are transferred back, and how effectively migration is integrated into national development planning. In Nepal's case, this framework helps explain why remittance growth has not translated into strong domestic productivity growth.

3. METHODOLOGY AND DATA SOURCES

This study is based on secondary data and qualitative review of existing literature. Quantitative information has been collected from Nepal Rastra Bank (NRB), Department of Foreign Employment (DoFE), Central Bureau of

Statistics (CBS) now (Nepal Statistical Office, NSO), World Bank, and FAO. These sources provide nationally credible data on migration flows, remittance inflows, labor market conditions, and demographic structure.

In addition to official statistics, peer-reviewed journal articles, policy reports, and working papers related to migration, remittances, and brain drain in Nepal and South Asia were reviewed. A descriptive-analytical approach is adopted rather than econometric estimation, as the objective of this paper is to understand structural and policy implications rather than establish short-run causality.

The analysis follows the migration–development nexus framework (de Haas, 2010), which allows migration to generate both positive and negative outcomes depending on institutional context. Three dimensions are emphasized: (i) migration trends, (ii) remittance dependence and macroeconomic structure, and (iii) labor market and human capital effects.

Table 1: Trend of Youth Migration from Nepal

Fiscal Year	Migrants Leaving Nepal (Million)
2019/20	0.65
2020/21	0.30
2021/22	0.72
2022/23	1.10
2023/24	1.67

Source: Department of Foreign Employment; Nepal Rastra Bank (various issues)

Table 1 shows a sharp rise in youth migration after the COVID-19 period, indicating that overseas employment has become a structural feature of Nepal's labor market rather than a temporary response to crisis.

4. Economic Impacts of Youth Migration

Youth migration has fundamentally reshaped Nepal's economy. Remittance has become one of the largest sources of national income, surpassing foreign aid and export earnings. At the household level, remittance supports consumption, education, health care, housing, and debt repayment. For many rural households, it functions as the primary safety net.

At the macroeconomic level, remittance inflows support foreign exchange reserves and help manage balance of payment pressures (NRB, 2025). However, excessive reliance on remittance also reveals structural weakness in domestic production and employment generation.

Table 2: Remittance as Percentage of GDP in Nepal

Fiscal Year	Remittance (% of GDP)
2019/20	23.3
2020/21	24.8
2021/22	25.4
2022/23	27.1
2023/24	28.6

Source: Nepal Rastra Bank (2024; 2025)

Table 2 illustrates the steady rise of remittance dependency in Nepal, reaching nearly 29 percent of GDP by FY 2023/24.

The increasing remittance–GDP ratio indicates consumption-led growth rather than productivity-led growth. While remittance improves purchasing power and macroeconomic stability, it does not automatically generate employment, innovation, or industrial upgrading. As a result, Nepal's growth remains externally dependent and vulnerable to shocks in destination countries.

The outmigration of young and productive workers has reduced domestic labor supply in agriculture, construction, manufacturing, and services. Employers report difficulty finding workers even at higher wages, leading to rising labor costs without corresponding productivity

gains. This weakens competitiveness and slows structural transformation.

Remittance-fueled consumption has also increased imports of consumer goods, widening the trade deficit. Domestic industries struggle to compete with cheaper imported products, reinforcing dependency on foreign employment and remittance inflows.

5. Sectoral Impacts and Labor Market Consequences

5.1 Agriculture and Rural Economy

Agriculture has been one of the most affected sectors by youth migration. Large numbers of young people leaving rural areas have resulted in labor shortages, land abandonment, and aging farming populations. FAO (2018) reports that migration has reduced labor availability during peak agricultural seasons, lowering productivity and increasing reliance on hired labor or mechanization.

While remittance has enabled some households to invest in farm inputs and mechanization, this effect remains limited and uneven. Many households prefer to reduce farming activities altogether, relying instead on remittance income. This trend raises long-term concerns about food security, rural livelihoods, and sustainability.

5.2 Health, Education, and Skilled Professions

Nepal has also experienced significant outmigration of skilled professionals, including doctors, nurses, engineers, IT specialists, and university graduates. This has weakened service delivery in public institutions, particularly in rural and remote areas. Health facilities often operate with limited staff, and universities struggle to retain qualified faculty.

Although some professionals return with new skills and exposure, return migration remains limited. The absence of attractive career paths, research facilities, and competitive remuneration discourages skilled returnees from staying in Nepal.

5.3 Informalization of the Labor Market

Another important consequence of youth migration is increased informalization. As skilled and semi-skilled workers leave, remaining workers often lack training, resulting in lower productivity. Informal employment expands, weakening labor standards and social protection systems.

6. Nepal's Current Reality

In practical terms, Nepal's migration experience reflects more characteristics of brain drain than brain gain. While remittance inflows are large, the economy has not benefited proportionately from skill transfer, innovation, or productive investment. Education outcomes have improved in terms of enrollment, but graduate employability remains weak.

Diaspora engagement policies exist in principle, but implementation remains limited. Investment from non-resident Nepalis is still small relative to the size of remittance inflows. Knowledge transfer and research collaboration with the diaspora are largely untapped.

Nevertheless, international experience suggests that brain gain is possible if migration is strategically managed. Countries that have benefited from migration invested heavily in domestic institutions, education quality, innovation systems, and diaspora networks. Nepal can follow similar pathways if migration is integrated into development planning.

7. Policy Implications and Recommendations

To transform youth migration from brain drain into brain gain, Nepal requires a comprehensive and coordinated policy approach.

First, domestic job creation must be prioritized. Industrial policy should focus on agro-processing, tourism, renewable energy, information technology, and small and medium enterprises. Public investment should crowd in private investment rather than substitute for it.

Second, education and skill development must be aligned with national needs. Universities and technical institutions should focus on practical skills, research capacity, and industry linkages. Scholarship bonds and return incentives may help retain skilled graduates.

Third, productive use of remittance should be encouraged. Financial instruments such as diaspora bonds, matching grants, concessional loans, and tax incentives can channel remittance into productive sectors.

Fourth, structured diaspora engagement is essential. Policies should promote return migration, short-term expert exchanges, research collaboration, and technology transfer.

Finally, migration governance must be strengthened. Better regulation of recruitment agencies, worker protection, and reintegration support can reduce social costs and maximize development benefits.

8. CONCLUSION

Youth migration has become one of the defining features of Nepal's development trajectory. While remittance has provided short-term economic relief and household security, the long-term costs of human capital loss, labor shortages, and weak productivity growth are substantial. At present, Nepal's migration pattern reflects more brain drain than brain gain.

However, this outcome is not inevitable. With strong institutions, coherent policies, and long-term vision, migration can be transformed into a development asset. The challenge for Nepal is not to stop migration, but to manage it in a way that supports sustainable and inclusive development.

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