

Contribution of Remittance on Economic status of Dharan - 6, Panbari

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Abstract

The study aims to explore the Contribution of remittance on economic progress of Dharan -6, Panmari. For this purpose, Twenty-five households having immigrant family members were selected in Dharan -6, Panmari. The information was collected through interview by using structured interview by using structured interviewed schedule. Descriptive statistics is carried out to analyze the Contribution of remittance on economic status of the sampled household in the past-migration period is better than that in the pre-migration period. In the study area, remittance is a main source of income. So, it has brought a qualitative change in economic status of migrant household. An improvement in the economic status of migrant household, the involvement of the household in community development activities and participation in social organization have brought a positive change in the overall socio economic status of the migrant household.

Keywords: remittance, foreign employment, migrant, economic impact, household status.

Introduction

The amount of money being moved across international borders has risen hugely over recent years. In some cases this is as a result of businesses dealing increasingly with customers and clients overseas. But another huge factor is economic migration. Nepal is a landlocked and agricultural country and suffering from the problem of underemployment. Due to the lack of employment opportunities in the country, skilled, semi-skilled and unskilled types of people have shown interest to the foreign employment. In search of better opportunities for employment, Nepalese people migrate to the various countries. They go abroad for employment and they earn some

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amount of money and send back to the home country, which is known as remittance. Remittance income is that portion of income, which is transferred by foreign workers, who are leaving and working in other countries, typically to their family who are still leaving in their home countries (Adhikari, 2011). Remittance denotes household income from foreign economy arising mainly from the temporary or permanent movement of people to those economies. Remittance includes cash and no cash items that flow through formal channels, such as via electronic wire or through informal channels such as money or goods carried across border.

In Nepal, there is not success to increase in employment opportunities as increase in population. Therefore, the trend of foreign migration continuously goes on increasing. According to economic survey 2015, the largest number of Nepali who goes for the foreign employment use to go Malaysia, i.e. 40.57 percent of total workers. Nepalese economy is extensively becoming dependent on remittance sent by workers. The overseas migration and remittance has become tool to poverty alleviation as well as for improving living standard of people. The contribution of remittance to the income of Nepalese household is increasing year by year. According to the NRB, due to increasing trend in foreign employment and decreasing trend of export, the contribution of remittance is increasing. There is no doubt that remittance is one of the main sources of income of many Nepali households. Nepalese economy is heavily dependent on agriculture, with engaging around 73 percent of total population of country (MOF, 2015). However, cultivation system is traditional and subsistence. On the other hand, growth rate of population is high. Moreover, as industrial development is in its infancy, unemployment problem is very high. The country received remittances of NPR 450 billion in the first eight months of the FY 2016–17, and is expected to receive NPR 699 billion in this fiscal year (MOF 2017). This is a growth of 5.3 percent which is much lower as compared to a growth of 15.2 percent in the last fiscal year (MOF 2017). Workers remittance is an important source of income and poverty alleviation for migrants, their household and their communities of origin in many parts of developing world (Ariff, 2009). Remittances are increasingly the most direct and significant contribution to the livelihoods of the people. The benefits of remittance are not limited to households but have a wider impact on the receiving society as remittance are spent, generating consumer demand and jobs for local worker. Economically, the home countries could reap numerous benefits such as foreign exchange remittance, investment, technology transfer, and training for labor force. The trend of remittance has an important implication for the economies seen

both in micro and macro perspective (Alishani & Nushi, 2012). The remittance not only affect positively level of income but also the ability to access healthcare and education. Considering the issue above, this study examines the Contribution of Remittance on Economic status of Dharan - 6, Panmari.

Statement of Problem

Being the citizen of developing country, most of the Nepali people are suffering from the problem of unemployment. In order to earn more money, they go to foreign land. They earn more money in foreign country. However, the uses of remittance have not been investigated in this area until now. There is different impact in different sectors of remittance in study area. But this study has only focused to analyse the Contribution of Remittance on Economic status of Dharan - 6, Panmari. Hence, this study tries to explore the answer of the following question:

What is the nature of remittance inflow from foreign countries?

What is the Contribution of Remittance on Economic status of Dharan - 6, Panmari?

Objective of the Study

The general objective of the study is to find out remittance and its Contribution on Economic status of Dharan - 6, Panmari. The other specific objectives are as follows:

- a) to show the nature of remittance inflow from foreign country.
- b) to analyze the Contribution of Remittance on Economic status of study area.

Research Methodology

In this article, both primary and secondary sources of information are used. Secondary sources of information obtained from the website of central Bureau of statistics of Nepal (CBS) and Economic Survey of various years. Primary data are obtained from Dharan- 6, Panmari household surveys that are conducted in May 2020 in different area. Household are randomly selected in community. Communities are also randomly selected because survey mostly focused on migrants communities in Dharan - 6, Panmari. The data set includes a survey of 25 household and 60 members. The relevant information was collected through the medium of questionnaire. Researcher takes personal interview and filled up questionnaire. After the completion of data collection, collected data was processed and tabulated

manually. Tabulated data was interpreted based on percent distribution and presented in some suitable form of diagram with the help of computer programmed.

Result and Discussion

Various theories related with the income and consumption expenditure show that as level of income increase the income and consumption expenditure also increase accordingly. The theories such as absolute income hypothesis, permanent income hypothesis, relative income hypothesis, and life cycle income hypothesis show various conditions that affect the consumption. Income is defined as the amount of final goods and services received by an individual, corporation or economy in a given period of time. In other words earning by one individual or economy is known as income. In Nepalese context, single occupation cannot support individual to maintain the level due to lack of socialization. Therefore, people are involved in many occupations for their livelihood. Most of the households in the study area, earn from foreign employment.

Numbers of Migrant Workers and Its Cause

There are several reasons to seek foreign employment. To find the cause of seeking foreign employment, the respondents were asked what the causes for going abroad are. The table shows the result below.

Table 1: *Number of migrant and its cause*

| | N | Valid Percent |
|------------------------------|----|---------------|
| Jobs not found in country | 6 | 24.00 |
| To decrease family loan | 4 | 16.00 |
| To earn high amount of money | 15 | 60.00 |
| Total | 25 | 100.0 |

Source: Field survey, 2020.

The table 1 shows that 24 percent of populations were migrated due to lack of employment in the country, 16 percent were to decrease family loan and 60 percent were to earn high amount of money. This table also shows that to earn high amount of money is the main cause of seeking foreign employment.

Information about foreign country (Employment)

There are several destination countries where people are going to search for better employment opportunities in the study area, which is shown in table 2

Table 2 Information about foreign country (Employment).

| Foreign country | N | Valid Percent |
|-----------------|----|---------------|
| Saudi Arabia | 6 | 24 |
| Qatar | 6 | 24 |
| Dubai | 2 | 8 |
| Kuwait | 1 | 4 |
| Malaysia | 2 | 8 |
| Australia | 2 | 8 |
| USA | 2 | 8 |
| UK | 2 | 8 |
| Japan | 1 | 4 |
| Korea | 1 | 4 |
| Total | 25 | 100 |

The table 2 shows the result of worker along with migrated countries. According to which, majority of workers have been migrant to Gulf countries which is 60 percent out of total and remaining 40 percent to other countries has been found.

Nature of Remittance Inflow from Foreign Country

Income distributions among the sample of migrant people towards foreign countries are explained by dividing migrant people into different group with fix income range. It simply deals with the migrant people and ranges of income they earned. The table 3 shows total sampled migrant people to categorise into five different groups on the basis of certain annual income.

Table 3 Nature of Remittance and follow from foreign countries.

| Income group (000) | Number of person | Valid Percent | Amount | Valid Percent |
|--------------------|------------------|---------------|-----------|---------------|
| Less 15 | - | - | - | - |
| 15-30 | 4 | 16 | 1,24,000 | 6.94 |
| 30-45 | 6 | 24 | 28,40,000 | 15.89 |
| 45-60 | 7 | 28 | 46,40,000 | 25.97 |

| | | | | |
|------------|----|-----|-------------|-------|
| 60 above - | 8 | 32 | 91,50,000 | 51.20 |
| Total | 25 | 100 | 1,78,70,000 | 100 |

Source: Field Survey, 2020.

According to above table, the percent of migrant people for the income group (30-45) thousand is found the highest which is 24 percent. Similarly, the percent of migrant people income group (15-45) thousand (45-60) thousand and 60 thousand above are 16,7 and 8 respectively. The percent of migrant people for income group up to 15 thousand is not found in the field survey.

The share of income range having above 60 thousand and aggregate annual income of total migrant people is found 51-20 percent, which is the highest percent of share comparing with other range of income earners. Similarly, income-earning range of (15-30) thousand, (30-45) thousand, (45-60) thousand and 60 thousand above are found 6.94 percent, 15.89 percent, 25.97 percent and 51.20 percent respectively. The income earner's having range of up to 15 thousand is not found in the field survey.

Added property with the Remittance Income

To find the added property from remittance, the respondents were asked whether they had added any property from remittance. The table shows the result of respondent.

Table 4 Added property from remittance

| | N | Valid Percent |
|---------|----|---------------|
| Vehicle | 2 | 6.25 |
| Land | 14 | 43.75 |
| Gold | 11 | 34.75 |
| Total | 32 | 100.00 |

Source: Field survey, 2020.

Table 4 shows that, out of total household 6.25 percent household added vehicle. Similarly, out of total household 43.75 percent household added land, which is the highest percent of added property of HHs. 34.37 percent and 15.62 percent household, added gold and home

respectively. It was found that maximum remittance receiving from abroad were used in this study area.

Household Expenditure Patterns Before and After Migration

Expenditure plays significant role in development process of the country. It not only shows value of expenditure but also trend and patterns of expenditure. The consumption expenditure directly shows the picture of domestic production, imports of consumer goods, BOP situation and condition of saving of country. Here an attempt is made to illustrate the use of total income and nature of expenditure in study area before and after migration. Hence to find out use of income (remittance) on various items of consumption such as food, education, clothing, Jewelry, festival ceremony etc has been considered as main item.

Table 5 Expenditure pattern of household on various headings before and after migration

| | Before Remittance | | After Remittance | |
|-----------|-------------------|---------------|------------------|---------------|
| | Amount | Valid Percent | Amount | Valid Percent |
| Food | 2266700 | | | 42.92 |
| Education | 825400 | 45.77 | 4295000 | 15.10 |
| Jeweler | 105000 | 16.67 | 1533800 | 8.76 |
| Clothing | 478000 | 2.12 | 890000 | 6.78 |
| Festival | 624500 | 9.65 | 689000 | 9.16 |
| Fuel | 318600 | 12.61 | 930000 | 9.13 |
| Health | 192000 | 6.43 | 927400 | 4.72 |
| Total | 4952200 | 100.00 | 10157200 | 100.00 |

Source: Field Survey, 2020.

The table 5 shows the household expenditure pattern before and after migration. Before migration, about 45.77 percent spent on food, 16.67 percent on education, 12.61 percent on festival and so on. But after migration 42.92 percent spent on food, 15.10 percent on education, 9.61 percent on festival and so on. The table shows that the amount of expenditure on each heading goes on increasing on food, education, clothing, festival etc. after migration.

Level of annual income, expenditure, and saving before and after migration

Actually, the level of annual income, expenditure, and saving shows clear picture about economic and social development of nation. Here, an attempt is made to illustrate the level of annual income, expenditure, and

saving before and after migration in the study area. The result is shown in table 6.

Table 6 *The level of total income, expenditure and saving before and after migration.*

| | Before Migration | | After Migration | | | |
|--------------|------------------|---------|-----------------|---------|-------------|---------------|
| | Amount | Percent | Amount | Percent | Change | ChangePercent |
| Expenditure | 49,52,200 | 69.51 | 1,13,32,400 | 56.28 | 63,80,200 | 128.84 |
| Saving | 21,71,800 | 30.49 | 88,03,600 | 43.72 | 66,31,800 | 305.36 |
| Total income | 71,24,000 | 100.00 | 2,01,36,000 | 100.00 | 1,30,12,000 | 182.65 |

Source: Field Survey, 2020.

Table 6 shows the level of annual income, expenditure, and saving of household before and after migration. Which is followed by out of total income about 69.51 percent is made expenditure and remaining 30.49 percent is saving before migration. Similarly, after migration out of total income, 56.28 percent is spending and remaining 43.72 percent is saving. Likewise, after migration the level of income, expenditure, and saving are increased by 182.65 percent, 128.84 percent and 305.36 percent respectively.

Conclusion and Recommendation

This study shows the Contribution of Remittance on Economic status of Dharan - 6, Panmari. Based on sample survey for primary information, this study can be concluded that the sources of remittance and the use of remittance on consumption are increasing positively. Remittance inflow and its current situation in the study area are high in national scenario. Remittance is major sources of foreign currency and it contributes positively to recipient's national balance of payments on macro level. Remittance is a main source of foreign currency which helps to stabilize the balance of payment deficit. But in micro level, the study shows that remittances are spent primarily on consumption of goods and services. And such goods usually are imported ones. The use of remittance plays an important role for the development of economy.

This study finds that most of remittance income spent on consumption of goods, to purchase land, gold etc. which are unproductive and killed

the power of saving. So policy makers should make such policy, which can attract them to invest in capital formulating sectors and reduce such expenditure. Large number of active population is engaged in foreign employment for earnings. Remittance income has positive impact in society to increase the personal income. But it hampered agricultural productivity. So, the policy makers should formulate such policy which helps promote agriculture development and small domestic industry. Most of the migrant's households are found having lack of saving habit and saving mobilization. Even though they have small amount of saving that are also found spent on non-capital formulating sector. These are the factors which hamper the income generation process and result in vicious circle of poverty. So, the habit of saving and saving mobilization should be made effective by the policy makers. Likewise, government should discourage expenditure on land purchasing, traditional festival ceremony, and encourage investment on their child education and domestic productive sector.

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