

Contribution of Remittance in Poverty Alleviation

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Abstract

Many Nepalese people used to go to foreign country to earn money. They send money to family member as remittance. Nowadays remittance become has one of the major sources of lively hood. Foreign Employment has become a major issue in the current economic and political discussion of Nepal. Another most important issue is the poverty alleviation from foreign employment remittance. The objective of this article is to describe the situation of poverty and analyze the contribution of remittance in poverty alleviation of Nepal. This study has been based on secondary data published by the Nepal government and covering a period between fiscal year 2011/12 to 2019/2020. The methodology to meet the objectives of this study is analytical and descriptive research design and writing style is also based on Publication Manual of American Psychological Association (7th ed.) This study shows the following findings During the study period, remittance was in increasing order and poverty is in decreasing order from FY 2011/12 to 2019/20

Keywords: poverty reduction, remittance, gross domestic product, foreign, employment

Introduction

Poverty is main problem of Nepal, unemployment creates poverty. The main objectives of economic development is to reduce the poverty. To reduce poverty there should be employment opportunity. Nepal is developing country. Its per capita income is low then other developing country in the world. It has low industrial development. 60.4 % people depend on agriculture to get employment opportunity (MOF,2020). But productivity is low. Percentage of population growth rate is 1.35 (CBS, 2011). So, people are searching job opportunity in foreign sector. They get job and send money as remittance. Remittance means transferring of money from one place to another it means Remittance is the amount transferred by workers from aboard to support their families,

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back at home. Present day Nepalese economy is characterized by 'Remittance Economy'. Remittances is a mechanism for economic growth and development. Household level argues that household income and consumption go up and reduce poverty in response to increase in international remittance flows.

It is the amount of money sent by people to their home country from foreign employment remittance. It is the money sent home by migrant people or workers. Movement of people outwards and inwards between one location and another either inside or outside countries is migration. Before going abroad and earning money, people's and their family's economic status was not well they were poor. Because of which condition they did not able to invest as much as they wanted. After going abroad, they earned money and they invest their earnings as their choice in productive sector. In Nepal labour migration is current issues and discussion part the migration trend has grown rapidly day by day. The condition and living of people, who go abroad as employer and return to Nepal, has been rapidly changed, reduced poverty due to remittance. If the environment is not suitable for the people to invest remittance as their need the living standard also can't go up. So, people they should have suitable environment to invest. To increase income saving should increase. The level of saving determined by income and expenditure ratio of people in different sector eg: health, education, food, and cloths etc. The life style also has been changed. Many people used to invest remittance money in the field of agriculture, animal husbandry, education and land as business (Dangal, 2018).

Significance of the Study

This study is conducted with contribution of remittance to reduce the poverty. The role of remittance in poverty alleviation of Nepalese people is increasing rapidly. It has been found that remittance income is the backbone for economic development of country The prime focus of the study is to find out the Contribution of Remittance in poverty alleviation in Nepal, So the study helps to control reduce poverty. The study will be benefitable to remittance payers, researchers, administrators, teacher, students, employee, employer and foreign experts.

Objectives

The main objectives of this study are to find out the situation of poverty and remittance and to analyze the contribution of remittance in poverty alleviation

Methodology

Methodology of this study was descriptive as well as analytical based on secondary data published by Nepal government, ministry of finance economic survey, National planning commission and unpublished thesis/research article, books, and magazines. The data were analyzed by using simple average, percentage, table.

Literature Review

The word Poverty has been defined in various ways; poverty is defined as the inability to attain their basic need. In Nepal labour migration is current issues and discussion part the migration trend has grown rapidly grown day by day. The condition and living standard of people, who go abroad as employer and return to Nepal, life style has been rapidly changed and reduced poverty also due to remittance. Poverty means the state of not having enough money to take care or to fulfill basic needs such as food, clothing, and housing or a deficiency or lack of something (Dangal, 2021). It is the problem of economic development of developing country like Nepal. The present and past development plan of Nepal have made poverty alleviation as an important objective. Poverty is an income below some minimum level of living to fulfill their basic needs. It is clear that poverty is the main and Current problem of the developing countries therefor poverty alleviation has become major objectives of economic development.

The Tenth Five Year Plan (2003—2008) adopted by His Majesty's Government of Nepal has identified poverty alleviation as its overall objective. Hence, poverty reduction strategy and policy has been regarded as the main basis of tenth plan.

Poverty is the deprivation occurring among the people or individual without basic amenities of life. In poverty people don't have sufficient means to fulfill their wants. It is the life without freedom of choice and action. There is lack of adequate food, shelter, education and health and income to support the basic minimum needs. It can also be defined as economic, social and psychological deprivation occurring among the people or countries lacking sufficient ownership, control or access to the resources to maintain the minimum standard of living (World Bank, 1990). The amount of saving mainly depends

upon total income, and amount of total expenditure to consumption should be less than income. After receiving remittance by households, saving increased and life style changed.

Poverty in Nepalese Context

Nepal is agricultural country number of people involve in agricultural sector is declining. no sufficient industrial development. number of poverty is high number of populations is increased day by day but its part is used an unproductive sector such as house building, land purchasing etc. Nepal is a mountainous Himalayan country, having population density of 181persons/square kilometer of area 147,181 km square. Nepal is a multi-ethnic and multi-lingual society. It is predominantly rural with only 14 percent of population living in urban areas and it is one of the least urbanized countries in the world (Aryal, 2002). People are unable to fulfill their basic needs because of poverty. The concentration of poverty is high in rural areas where the main economic base is agriculture. There is significant contribution of non-agriculture sector in the growth rate of GDP, but its impact is limited to urban areas but it has not affected the rural areas where majority of poor live (Rai, 2016). The amount of saving mainly depends upon total income, and amount of total expenditure to consumption should be less than income for saving.

Foreign employment in Nepalese Context

Nepalese are engaged in labour and many work at a place distance from home for employment outside the country has a long history it has been started before nineteenth century when the first Nepalese travelled to Lahore to join the army. The history of remittance in Nepalese economy has begun during 1814 to 1816 after the British-India and Nepal war. But The volumes of remittance increased only after 1995, when the civil conflict destroyed in the local labour markets and people started looking for Company of employment. Nepalese youths used to try to entry in the British national army. Thus, labour migration and remittance comprise a crucial component of Nepalese economy and society as a whole. The migration tendency has grown rapidly. Artistries Araniko invited by Kuble Khan for the constructing temples and Stupa in China than after Nepalese people established their business and work with the neighboring countries like Tibet, China and India.

These histories shows that the Nepalese were working in neighboring countries and sent the earned amount to their motherland. In Lichhavi period. In Lichhavi period, Nepalese arts promoted (Kansakar, 1993). Now Nepalese people have gone specially to gulf countries and Malaysia, South Korea India etc. Nepalese people are going abroad in construction, hospitality, tourism and security sector. Amount of remittance is invested in productive sector. Due to lack of employment opportunities large number of youth people have migrated in foreign. From remittance 25.4 % contribution is in GNP in the fiscal year 2018/19 (MOF, 2020). It helps to reduce poverty and living standard of people is also going up. So, Nepalese economy is remittance-based economy (Adhikari, 2077).

Remittance being as a back bone to the Nepalese economy. Recently it being main source of living and life sustain. It should be proper utilize it is remittance-based economy. Received remittance should be used in income generating sector or productive sector.

utilizing the remittance in entrepreneurship and business is also the better and helpful for reducing poverty.

Labour Migration of Nepalese people started since 1816 after the pace and friendship Anglo after the end of Anglo Nepal war 1815 with the establishment of first Gorkha regiment by the British east India company (Regmi,1971). Nepalese people used to go to India, Bhutan, and other country also. Large number of people and their family member also started to search better opportunities to join foreign institution as a worker to receive and for their livelihood (Regmi,1971).

Remittance donates household income from foreign economics 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 good carried across border (IMF, 2009).

Demographic deficit and consequent demand for migration labor in developed and destination countries, growing disparity is in wealth income human security, human rights and demographic trend across countries are all exerting upward pressure on migration. Every year millions of young men and women enter the force in developing where job are not created fast

enough to absorb them. Now new technology also allows more people to acquire the information they need to access the global labor market (World Bank, 2010).

All the households who were success to receive remittance and they are getting benefit from remittance their access to health, education and economy has increased. It also helps to increasing saving. If The remittance is not using properly in productive sector by house hold, and the households who properly invest in productive sector there is different family status. It helps in family and rural development.

All households were feeling very positive towards remittance income. Remittance income has become an effective approach in reducing the poverty. The living standard of the people is changing day by day. People are also getting proper health facilities and their educational status is also gradually increasing nowadays. The income of the family has been raised up and the living standard of the people also. So, remittance helps to reduce rural poverty and helps in rural development. All the households who were success to receive remittance and they are getting benefit from remittance their access to health, education and economy has increased. It also helps to increasing saving.

If The remittance is not using properly in productive sector by house hold, and the households who properly invest in productive sector there is different family status. It helps in family and rural development. All households were feeling very positive towards remittance income. Remittance income has become an effective approach in reducing the poverty. The living standard of the people is changing day by day. People are also getting proper health facilities and their educational status is also gradually increasing nowadays. The income of the family has been raised up and the living standard of the people also. So, remittance helps to reduce rural poverty and helps in rural development (Paudel, 2016). Paudel found nowadays in Nepal the foreign migration trend has been increasing day by day for an employment

opportunity and to earn money. And trend of growth of remittance also increases at increasing rate, directly it gives the positive contribution to nation's GNP.

After receiving remittance in Nepal from foreign migrant workers Life style has been changed. People are aware also, To Enroll at school colleges and universities number also increases. Per capita income also increased after receiving remittance. Households economic condition has improved. People are using remittance in productive sector. Starting to save their income The main reason for migration was to earn money. In the same way the reason behind for foreign migration is family debt and also the reason for foreign employment is unemployment

Analysis

Many reasons create migration it may be either for searching job opportunities or facilities. The reason might be economic, social or political. They may be related to the skills, knowledge and various other reasons. Now a days people are facing more than one reasons.

Causes of poverty in Nepal

Through the year people cannot engage to earn due to absolute poverty. Unemployment and underemployment, high population growth rate, low economic growth rate low industrial development, socio cultural factor, underutilization of available resources, lack of socio-economic infrastructure, are causes of poverty. So, people are choosing foreign country for employment and they send remittance. Situation of poverty and remittance is shown in table below

Table 1

Situation of Poverty and Remittance

Fiscal Year	Remittance RS in Billion	Remittance as percent of GDP	Percentage of Poverty
2011/2012	359.6	23.5	24.4
2012/2013	434.6	25.6	23.8
2013/2014	543.3	27.7	
2014/2015	617.3	29.0	-
2015/2016	665.1	25.5	21.6
2016/2017	695.5	22.6	-
2017/2018	755.1	21.8	-
2018/2019	879.3	25.4	18.7
2019/2020	875.0	22.4	-
Total,	5824.8	-	-

Note. Economic Survey 2077/78

The Table 1 is related to the Rs. columns are measured in billion rupees. Taken from Economic Survey 2011/12 to 2020/2021 by Ministry of finance, Kathmandu, Nepal Government of Nepal and periodic plan of Nepal by national planning commission Government of Nepal.

Table 1 reflects the income received as remittance as percent of GNP and poverty. Total remittance is Rs.5824.8 billion from fiscal year 2011/12 to 2020/2021, in fiscal year 2011/2012 remittance as percent of GNP is 23.5 and amount is Rs395.6 Billion at that time poverty is 24.4 , in fiscal year 2012/13 remittance amount is increasing from 359.6 to 434.6 and As percent of GNP is also increase to 25.6 among them in fiscal year 2013/14 remittance amount is 543.3 it is also increasing then fiscal year 2012 /13 remittance as percent of GNP is also increasing in fiscal year 2013/14 to 27.7% . Where Poverty rate is 23.8% in fiscal year 2012/13, it is declining than fiscal year 2011/12. Among them in table in fiscal year 2015/2016 the amount of remittance is Rs. 665.1 billion and contribution in GNP is 25.5% it is increasing also, at that time poverty is 21.6%. It shows that in table in fiscal year 2017/2018 remittance value is Rs.755.1 billion contribution in GNP is 21.8%. In fiscal year 2018/ 2019 remittance value is Rs. 879.3 billion and contribution in GNP is 25.4% poverty rate is 18.7. In 2019/20 remittance is Rs.875.0 billion contribution in GNP is 22.4 %.

Conclusion

It shows that the amount of remittance is increasing from fiscal year 2011/12 to 2019/20 from Rs 359.6 to 875.0 billion. And the poverty ratio is decreasing from 24.4 to 18.7%. poverty is declining from people using their income receive by remittance in productive sector to generate income so the living standard increases. It shows remittance highly contributed to alleviate poverty. Because due to increase in remittance poverty ratio is declining.it means income level is going up.

Remittance has played a vital role in poverty reduction. Various reports and document published in recent times have attributed the dramatic fall in absolute poverty to the inflow of remittance in Nepal. The percentage of GNP receiving as remittance by people in Nepal during the year 2011/2012 was 23.5%. This is sharp rise from the year 2011/12, now it in 2019/20 is 22.4%. The poverty in year 2011/12 was 24.4% in 2019/20 poverty rate is 18.7%, it is decline in absolute poverty in the nine years between 2011/12

and 2019/20. Therefore, foreign employment is a major economic phenomenon in Nepal and it is directly related to the economic growth.

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