

Impact of Remittance Income on Women's Empowerment in Nepal

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ABSTRACT

Remittances are a crucial component of the global economy and a significant source of income for developing nations. They contribute significantly to the economic growth of recipient countries by providing investment opportunities, boosting consumption and women's empowerment, and reducing poverty. The objective of this study is to analyze the impact of remittance income on women's empowerment in Nepal. The research used a descriptive cross-sectional design and collected primary data through a questionnaire. Five-point likert type scaling technique was used to obtain a response to each question. Data were collected by interviewing individuals who receive remittances from banks and cooperatives in Bhimad City Tanahun. Household were randomly selected as samples including 16 from Bhimad Municipality, 8 from Rishing Rural Municipality, 10 from Ghiriing Rural Municipality, and 6 from Myadge Rural Municipality. All the households in the study area receiving remittance income throughout the year 2023 were considered as the population of the study. Descriptive statistics were employed to present the data through mean, t-test, and percentages. The results of the study showed that remittances significantly contributed to women's financial independence, education, and healthcare access, poverty alleviation, enhancing decision-making power within households, and promoting participation in community development. The consistently high p-value was 17.30 and lowest p-value was 13.30, high and low p-value indicates that there was a strong consensus among respondents regarding the positive impact of remittances on women's empowerment. The findings have significant implications for researchers, policymakers, and practitioners. It highlights the need the targeted interventions that maximize the positive impact of remittances on women's empowerment while addressing potential challenges. Overall, the study emphasizes the need to recognize the critical role of remittances in promoting women's empowerment and the importance of developing effective strategies to harness their potential.

1. INTRODUCTION

Remittance refers to the proportion of household income sent by individuals through their earnings from foreign economies, which results mainly from their

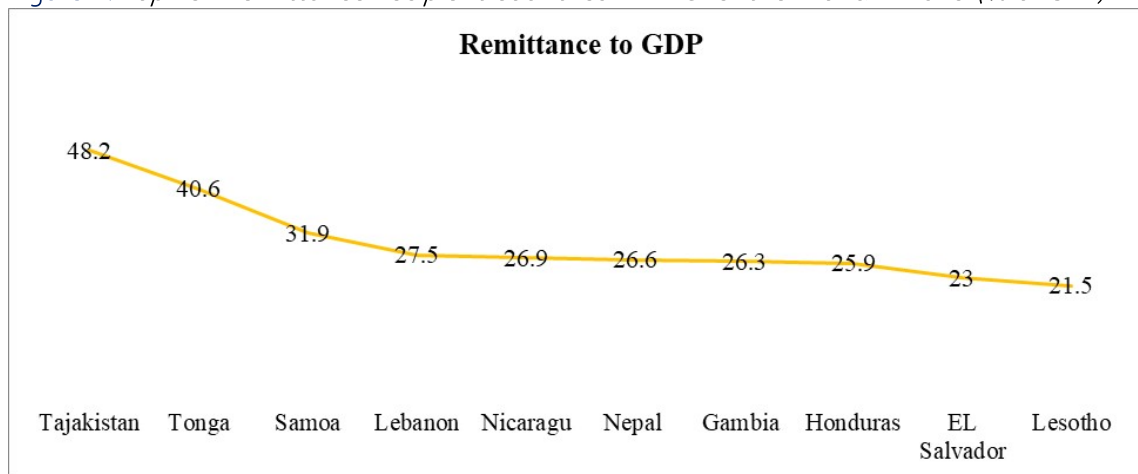
temporary or permanent migration to these economies (International Monetary Fund, 2009). It plays an important role in the economy of many countries, especially developing countries, as it is a major source of foreign currency (World Bank, 2023). Remittances are a crucial component of the global economy and a significant source of income for developing nations. They contribute significantly to the economic growth of recipient countries by providing investment opportunities, boosting consumption and women's empowerment, and reducing poverty. Khanal (2020) asserts that when people move to another country and remittance money to their country, it can help reduce poverty and women's empowerment by utilizing remittance in the country's economic development. Salike (2022) revealed that remittance helped reduce poverty by 5.3 percent, but it also made the gap between the rich and poor wider by 7.37 percent. Remittance helps reduce inequality for those who receive it.

According to Ratha et al. (2023), there were around \$281 million international migrants in the world population in 2020, accounting for 3.6 %. The number of global migrants increased in the last five decades. In 2023, remittances to low and middle-income countries reached \$647 billion, and it was forecast to grow to \$656 billion, with a growth rate of 1.4 percent. Global remittance flows were expected to reach \$840, with a growth rate

of 2.0 percent in 2024, adding \$18 billion. Among low and middle-income countries, the top five recipients of remittances in 2023 were India \$ 125 billion, Mexico \$ 67 billion, China \$ 50 billion, the Philippines \$40 and Egypt \$ 24 billion. Nepal was ranked 19th among the countries receiving the highest remittance shares, with remittances contributing 26.6 percent of GDP.

Despite fluctuations in remittance amounts in certain years, the overall trend reflects a remarkable reliance on these external financial transfers, emphasizing their impact on the economy's stability, reducing poverty, building human capital, and economic growth. This situation has raised some pertinent questions: How does remittance income influence women's empowerment in Nepal: A comprehensive analysis of socioeconomic factors? To answer the question, the objective of this study is to analyze the impacts of remittance income on women's empowerment in Tanahun District Nepal. This study examines the impact of remittance income on women's empowerment in Nepal, highlighting remittances as crucial sources of income that significantly contributes to economic growth, poverty reduction, and women's financial independence limited to houses in the Tanahun District of Nepal only selected area that receive remittance income throughout 2023. The results may not be generalizable to other regions.

Figure 1: Top Ten Remittance Recipient Countries in All Over the World in 2023 (% of GDP)

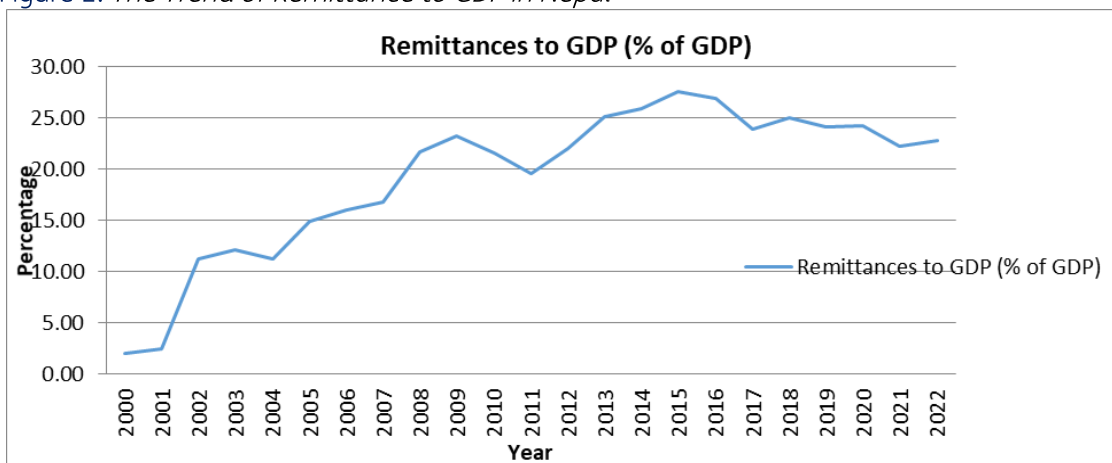


Sources: World Bank, 2023

According to the World Bank (2023), many countries relied on remittance as a significant source of their GDP. Tajikistan tops the list, with remittances accounting for 48.2% of its GDP. Tonga follows closely with a ratio of 40.6%, Samoa, Lebanon, and Nicaragua also showed significant ratios of 31.9%, 27.5%, and 26.9%, respectively emphasizing the economic importance of remittance inflows. Nepal, Gambia,

Honduras, El Salvador, Lesotho, Comors, and Kyrgyz Republic also relied on external funds, with ratios ranking 26.6% to 21.5%. Nepal ranked fifth in the world for the percentage of remittances to GDP, with a remittance-to-GDP ratio of 26.6 Percent. This data highlight the significant role that remittances play in contributing to the economics of various countries (Figure 1).

Figure 2: The Trend of Remittance to GDP in Nepal

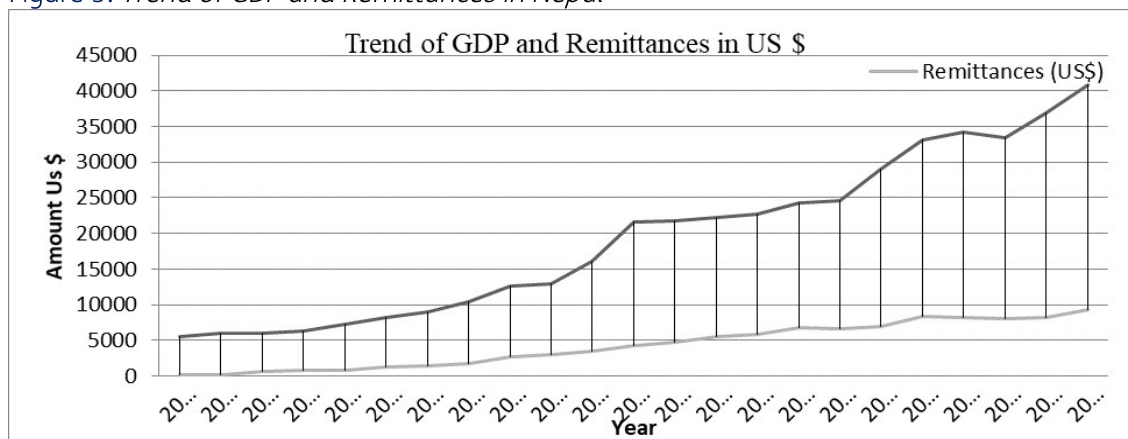


Sources: World Bank, 2023

Figure 2 reveals a gradual rise from 2.03% to 27.63% over the specified timeframe. This progression suggests that remittances become a vital source of income for countries, potentially due to increased migration for work opportunities abroad and the economic conditions within the country itself. The upward trend

highlights the financial contributions of migrants to their home countries and emphasizes the impact of these funds on national economies. This influence may lead to policies and development strategies to maximize the benefits of remittance inflows.

Figure 3: Trend of GDP and Remittances in Nepal



Sources: World Bank, 2023

Figure 3 reveals a significant increase in both the absolute remittance values and their relative contribution to the GDP over the year. In 2000, remittance amounted to \$ 111.50 million, which constituted 2.03 % of the GDP. This percentage steadily increased over the subsequent years, indicating a growing significance of remittances to the economy. By 2015, remittance surged to \$6729.94 million, making up 27.63 of the GDP, showcasing a substantial influx of funds from abroad.

Despite fluctuations in remittance amounts in certain years, the overall trend reflects a remarkable reliance on these external financial transfers, emphasizing their impact on the economy's stability, reducing poverty, building human capital, and economic growth. This situation has raised some pertinent questions: How does remittance income influence women's empowerment in Nepal: A comprehensive analysis of socioeconomic factors? To answer the question, the objective of this study is to analyze the impacts of remittance income on women's empowerment in Tanahun District Nepal

1.1 LITERATURE REVIEW

Bank (2013) found that remittances had positive and significant effects on children's education and financial transactions. However, they also observed negative effects on childbirth and women's health awareness. Salike et al. (2013) revealed that remittance significantly enhanced decision-making power and freedom, particularly among women who received remittance compared to those in families without remittance income. Mahapatro et al. (2015) found that remittances had positive and significant effects on health, education, and women's empowerment. However, they also observed a decrease in food expenditure. Wadood and Hossain (2017) study revealed that remittances played a crucial role in reducing poverty and increasing consumption expenditure. However, the study also noted that remittances did not appear to have a significant effect on

household expenditure on education and healthcare.

Kumar (2019a) found that remittance significantly affected household welfare and positively affected women's empowerment. Kumar (2019b) found that remittances had positive and significant effects on health and negative and significant effects on education. Wagle and Devkota (2018) stated that they utilized foreign labor migration and remittance to reduce poverty in Nepal. Chaudhary (2020) study revealed that remittances played a crucial role in improving economic and social conditions, reducing poverty, and enhancing social and political awareness. Chhetri et al. (2020) found that remittances had several positive impacts on Nepal's economy such as reducing poverty and unemployment, maintaining foreign exchange reserves, and improving the balance of payments. Dhakal & Paudel (2023) stated that remittance was a significant income source and was positively associated with GDP, trade deficit, final consumption expenditure, and gross capital formation. Dahal (2014) observed that the increase in remittances in Nepal had significantly contributed to the country's economic development and human capital accumulation.

Aggarwal et al. (2011), Acharya (2017), Uprety (2017), Dhungel (2018), Ojha (2019), Poudyl & Bhaskar (2020), and Karki (2020), found that remittance could significantly contribute to the country's economic growth by increasing household consumption and investment in small businesses. Abduvaliev & Bustillo (2020) assessed that remittances helped reduce poverty providing a steady income and stabilizing spending patterns. Nahar et al. (2022) found that remittances from migrant workers had a significant impact on women's empowerment. Amuedo-Dorantes and Pozo (2023) assert that remittance can bring several benefits, including better health education, access to technology, and support for small businesses. It can also help reduce poverty and inequality. However, it can harm the

environment and promote criminal activity. Karki & Basyal (2023) found that remittances had positive and significant effects on healthcare, better education, sanitation facilities, happiness, and women's empowerment.

2. METHODS AND MATERIALS

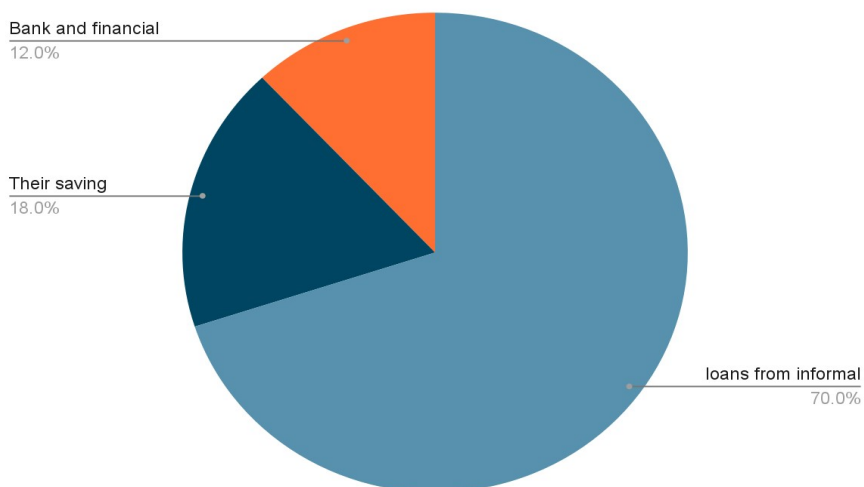
This study employed a descriptive cross-sectional research design conducted in 40 households across the Tanahun district, including Bhimad Municipality, Rishing Rural Municipality, Ghiring Rural Municipality, and Myadge Rural Municipality to analyze the impact of remittance income on women's empowerment in Nepal using the primary data. Such quantitative data were collected using a structured questionnaire. Data were collected by interviewing people who collect remittances from banks and cooperatives in Bhimad City Tanahun. The household was chosen randomly as samples from the Municipality and Rural Municipality with 16 households from Bhimad Municipality, 8 households from Rishing Rural Municipality, 10 households from Ghiring Rural Municipality, and 6 households from Myadge Rural Municipality. Hence all households within the study area receiving remittance income for the entirety of 2023 are regarded as the population of the study. To gather information about various factors related to remittance income, a survey was also conducted using five-point Likert scaling

techniques through questionnaires. The first part focused on the remittance income and use, while the second part addressed factors related to women's empowerment. Relevant secondary data was collected from the World Bank indicator. Descriptive statistics were used for data analysis, employing the statistical package for the social sciences (SPSS). Therefore, descriptive statistics were employed to present the data through mean, one-sample t-test, percentages, diagrams, and ratios. Data were collected by interviewing people who collected remittances from banks and cooperatives in Bhimad.

3. RESULTS AND DISCUSSION

Generally, migrant laborers typically belong to lower-middle and lower economic classes, which can make it difficult for them to cover the cost associated with working abroad. The data indicate that a considerable portion of these workers resort to borrowing from informal sources to fund their foreign employment. Specifically, 70 percent took loans from such sources, while 18 percent used their savings, and 12 percent borrowed from banks and financial institutions (Figure 4). This highlights the challenges faced by many migrant workers, who often had to make significant sacrifices to pursue better economic opportunities abroad.

Figure 4: Financial Sources for Foreign Employment Cost



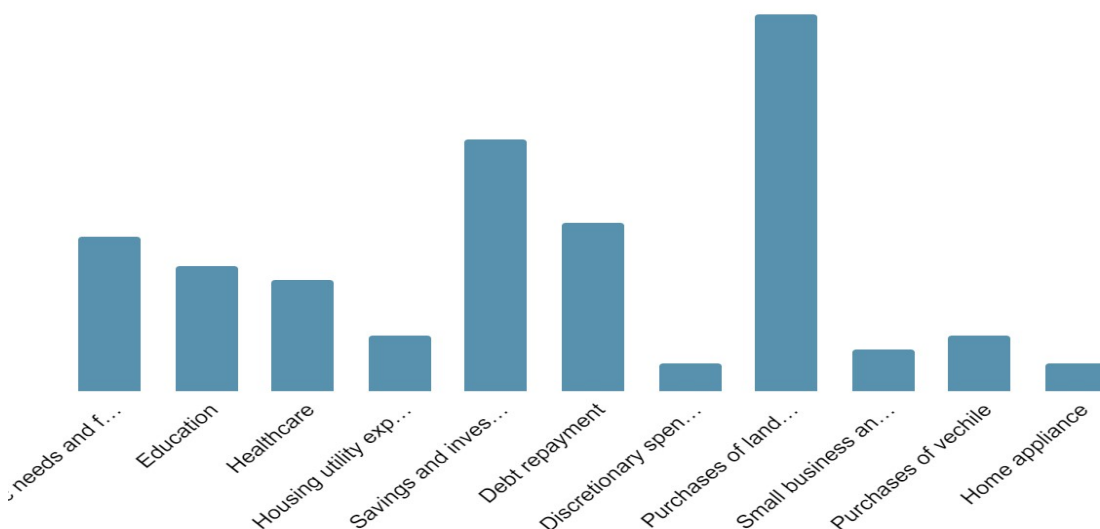
Sources: Field survey, 2024

3.1 REMITTANCE INCOME MOBILIZATION PATTERNS

The spending of remittance income is varied and reflects the multifaceted priorities and goals of recipient households. Basic needs and festival expenditures were allocated 11 percent, indicating the significance of immediate necessities and cultural traditions within these households. Human development is given priority as education and healthcare for 9 percent and 9 percent respectively. Housing utility expenses receive 4%, ensuring the provision of shelter and essential services. Saving and investments represented 18% which underscores the emphasis on financial security and future planning. The

commitment to financial stability and discretionary consumption can be seen in the allocation of 12 percent and 2 percent respectively for debt repayment and discretionary expenditure. The most significant allocation was for the purchases of land and construction of houses, constituting 27% of the total, highlighting the importance of housing security and asset accumulation. Small business and entrepreneurship received 3 percent, implying a modest allocation towards entrepreneurial endeavors. Purchases of vehicles receive 4 percent and home appliance items received 2 percent (Figure 5).

Figure 5: Remittance Income Mobilization Patterns



Sources: Field survey, 2024

3.2 WOMEN'S EMPOWERMENT

The mean rating given by respondents provides valuable insights into how remittance impact women's empowerment in various areas. Remittances played a critical role in promoting financial dependents (Mean 3.23) and enabling investment in education and skill development (Mean 3.18), which was crucial for empowering women economically and intellectually. Respondents also acknowledged that remittances helped improve access to healthcare services (Mean 3.08) and reduce

poverty (Mean 3.38) among women and their families. Additionally, remittances and seen as a positive influences on decision-making power within households (Mean 3.15) and participation in community development (Mean 3.25), which highlights their broader societal impact. However, some respondents expressed concerns about the potential reinforcement of traditional gender roles (Mean 3.0), indicating the need for nuanced approaches to gender empowerment initiatives (Table 1). The t-values and p-value (all<0.001>) indicate significant mean difference

between the respondent's ratings and the test value of 0, representing an effect. This means that the impact of remittances on women's empowerment is significantly higher with no effect as rated by the respondents. The mean differences observed range from 2.575 to 3.375 with narrow 95% confidence intervals, demonstrating a high level of confidence in the estimated mean differences. These results highlight the received importance of remittance in promoting women's financial independence, educational opportunities,

healthcare access, poverty reduction, decision-making power, community participation, and gender equality. The results are somehow consistent with the findings of of Khanal (2020), Salike (2022), Salike et al. (2013), Mahapatro et al. (2015), Wadood & Hossain (2017), Kumar (2019a), Wagle & Devkota (2018), Chhetri et al. (2020), Dahal (2014) Aggarwal et al. (2011), Abduvaliev & Bustillo (2020), Nahar at el. (2022), Amuedo-Dorantes & Pozo (2023) and Karki & Basyal (2023).

Table 1: *Women's Empowerment*

Summation of global rating area	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Remittances empower women by providing them with financial independence.	14.33	39.00	0.00	3.23	2.77	3.68
Remittances enable women to invest in education and skill development.	14.04	39.00	0.00	3.18	2.72	3.63
Remittances contribute to improving women's access to healthcare services.	13.86	39.00	0.00	3.08	2.63	3.52
Remittances help in reducing poverty among women and their families.	17.30	39.00	0.00	3.38	2.98	3.77
Remittances enhance women's decision making power within their households.	14.76	39.00	0.00	3.15	2.72	3.58
Remittance positively impacts women's participation in community development.	16.11	39.00	0.00	3.25	2.84	3.66
Remittances alleviate financial constraints that hinder women's entrepreneurial ventures.	14.44	39.00	0.00	3.33	2.86	3.79
Remittances promote gender equality within societies.	14.97	39.00	0.00	3.25	2.81	3.69
Remittances can sometimes reinforce traditional gender roles rather than challenge them.	15.05	39.00	0.00	3.00	2.60	3.40
Remittance may lead to increased migration of women, which could have both positive and negative consequences.	14.12	39.00	0.00	3.13	2.68	3.57
Remittances contribute to the empowerment of women in rural	15.05	39.00	0.00	3.00	2.60	3.40

areas where economic opportunities are limited.						
Remittances improve access to resources such as land and housing for women.	14.76	39.00	0.00	3.15	2.72	3.58
Remittances empower women to have greater control over household finances.	14.10	39.00	0.00	3.20	2.74	3.66
Remittances empower women to advocate for their rights and interest within their communities.	14.14	39.00	0.00	2.95	2.53	3.37
Remittances enable women to access financial services such as banking and savings accounts.	16.46	39.00	0.00	2.98	2.61	3.34
Remittances contribute to improving the nutritional status of women and their families	14.62	39.00	0.00	3.05	2.63	3.47
Remittances provide opportunities for women to invest in small scale businesses and income generating activities.	13.99	39.00	0.00	3.03	2.59	3.46
Remittance helps in reducing gender based violence by providing economic resources for women to leave abusive situations.	15.07	39.00	0.00	3.05	2.64	3.46
Remittances empower women to have a voice in decision making processes at the households and community levels	13.93	39.00	0.00	2.63	2.24	3.01
Remittances contribute to the education of girls by covering school fees and related expenses.	13.87	39.00	0.00	2.58	2.20	2.95
Remittances enable women to invest in technology and digital literacy, enhancing their access to information and opportunities.	13.94	39.00	0.00	2.95	2.52	3.38
Remittances empower women to challenge traditional gender norms and roles within their communities.	13.73	39.00	0.00	2.88	2.45	3.30
Remittances enhance women's social status and recognition within their families and communities.	14.86	40.00	0.00	2.63	2.28	2.99
Remittances contribute to the overall economic development of women's communities.	14.76	39.00	0.00	3.15	2.72	3.58
Remittances empower women to engage in political processes and advocate for policies that benefit them and their communities.	13.96	39.00	0.00	2.70	2.31	3.09

Sources: *Output of SPSS*

The data provides strong evidence that remittances significantly contribute to women's empowerment across various dimensions. Remittances enhance financial independence support education and skill development, improve access to healthcare, and help in reducing poverty for women and their families. They also bolster women's decision-making power within households and foster participation in community development, highlighting their broader societal impact.

The data provides strong evidence that remittances significantly contribute to women's empowerment across various dimensions. Remittances enhance financial independence support education and skill development, improve access to healthcare, and help in reducing poverty for women and their families. They also bolster women's decision-making power within households and foster participation in community development, highlighting their broader societal impact.

4. CONCLUSION

The finding reveals that remittances play a significant role in improving access to healthcare services, reducing poverty, enhancing decision-making power within households, and promoting participation in community development. However, the study indicates that there are concerns about the potential reinforcement of traditional gender roles and the need for nuanced approaches to gender empowerment initiatives. The statistical analysis conducted as part of the study further strengthened these findings revealing a consensus among respondents regarding the positive impact of remittances on women's empowerment. The study implications for policymakers, practitioners, and researchers highlight the need for targeted interventions to maximize the positive impact of remittances on women's empowerment while addressing potential challenges. Overall, the study emphasizes the need to recognize the critical role of remittances in promoting women's empowerment and the

importance of developing effective strategies to harness their potential.

Future researchers should explore the long-term impacts of remittances on women's empowerment, particularly how they affect traditional gender roles and whether positive effects are sustained over time.

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