

Contribution of Remittance to the National Economy of Federal Nepal

*Hari Bhakta Shahi (Ph.D)**

Abstract

Labour migration from their nation to another country for employment is called foreign employment. The trend of migration of human resources in Nepal has been prevalent throughout the ancient history of Nepal. In this study, the trend of foreign employment is analyzed using statistics like the labour approval based on the level of skill, labour approval received by the male and female, major destination country for labour approval, remittance received by the country in the fiscal year, national savings, disposable income, foreign exchange reserve of the nation, economic growth, Human Development Index and contribution of remittance on the national economy.

Remittance is the second largest contribution to Nepal's national economy. Most of the migrant workers are unskilled in foreign land from Nepal. Professional and highly skilled workers are minimally from Nepal in foreign lands. Nepali youth are choosing foreign employment for the job opportunities and better livelihoods in developed countries. Remittance generation is the main source for the government of Nepal. Modern economists claim that foreign remittance is not sustainable and good for the national economy. They suggested generating employment, industry, and marketization in the motherland i.e. Nepal. But practically remittance is the second contribution to the GDP of Nepal. Similarly, foreign employment and remittance contributed so many ways to Nepal such as dollar exchange, foreign trade balance, knowledge achievement, skilled transfer, technology advancement and so on.

Key Words:

Remittance, Treaty, Employment, Economy, Migrant, Gulf, Sustainable

1 Background of the Study

Transferring money between parties through a bill, invoice, or even a gift is known as remittance. In a broader sense, "remittance" refers to the money that migrants send home to their families while they are employed and residing overseas. They are also known as migrants or labour transfers. This suggests that the transfer of funds by the migrant worker to the homeland from the country of foreign employment is remittance. The trend of foreign employment in Nepal started after the Sugauli Treaty of 1815 between Nepal and the British. One example is the demand of Nepali youth for the British army. India also continued this trend as the demand for Nepali youth in the Indian army. After the democratization in Nepal in 2046. The government

*Mr. Shahi (Ph.D), Associate Professor and Campus Chief, Public Administration Campus, T.U.

of Nepal adopted the LPG policy. Employment was the main challenge at that time in Nepal, but employment generation was not easy, so GoN adopted foreign employment for the Nepali youth. Foreign employment helps reduce poverty, increase economic activities, increase transfer technology, development of skills, capital formation, and so on. The human resources of a nation are eligible for the labour force and potential to behave productively to meet their own needs and their families, which affects the level of welfare in the nation or country.

The National Population and Housing Census 2021 published by the National Statistics Office suggests that 23.4% of households have absentees living abroad among which 82.2% are male (National Statistics Office, 2023). This is due to the reduced absorption rate of human resources in the employment market compared to the production of human resources. The Economic survey published in 2023 also stressed the tendency of the youth to pursue foreign employment in search of suitable opportunities (Ministry of Finance, 2023). The increasing trend of human migration signifies reduced opportunity within the nation and uncertainty of future, career and economic development in Nepal.

The data published by the census, in 2023 shows that 11 per cent of the labour force aged 15 to 59 are outside Nepal for foreign employment (National Statistics Office, 2023). Migration for foreign employment in Nepal has become so pervasive that half of the Nepalese household families have at least one migrant worker working abroad or returning after working abroad (Baral, 2021). The opportunity for foreign employment started from Lahore to Gurkhas and has now extended to 111 countries as destination countries providing a wide range of opportunities. However, the Annual Labour Approval Report (2023) published by the Department of Foreign Employment suggests that a total of 144 countries are chosen by the youth as the destination for foreign employment. This proves that the migration for employment is not new to Nepalese as their ancestors have paved the way for foreign employment and the youths nowadays are following the trend as it is, by the massive numbers of youths.

2 Statement of the Problem

Generally, people from Nepal migrate to foreign lands to earn and achieve opportunities and better livelihoods. The group migrating to foreign lands in search of job opportunities are attracted to gulf countries whereas another group, which intends to permanently live there, is choosing developed nations like Australia, America, Canada, and European countries as the host countries for migration. In this regard, the following research problems are discussed in this study:

- What is the trend of remittance sent by foreign workers in Nepal?
- What is the contribution of remittance to Nepal's national economy?

3 Objectives of the Study

This study is important and valuable because the economy of Nepal is based on remittance. There are many issues regarding industrialization, trade, employment generation and development. Poverty is mainly due to unemployment. Capital formation is another main

problem in Nepal. In this concern remittance is a basic pillar for the economic development of Nepal. The main objective of this study is the contribution of remittance to the national economy. The specific objectives are as follows: -

- To analyze the trend of remittance sent by foreign workers in Nepal.
- To find out the contribution of remittance to the National Economy of Nepal?

4 LITERATURE REVIEW

Literature which is most related to the study is reviewed. For example, foreign employment, remittance, type of human resource, legal provision and so on. Foreign employment in Nepal is an old trend, but it took speed after 1990 AD when the government of Nepal adopted a policy of liberalization, privatization and globalization. The remittance earned by the migrant workers has substantially contributed to the economy of Nepal. It has brought about positive changes in the economy in both the sending and receiving countries. It is well known that remittance generates multiplier effects such as poverty reduction, increase in foreign currency reserves, manifold increase in domestic consumption and consumption-led demands. This, in turn, increases import and import-based revenue (Acharya, 2021). The increase of foreign currency in a remittance-receiving country opens limitless opportunities for development, trade and business, social and other aspects of the nation as foreign reserve increases. Nepal is sending different kinds of manpower like, unskilled workers, semiskilled workers, skilled workers, highly skilled workers and professional workers to the foreign land.

Over the past few years, foreign employment has been booming. This is caused by several circumstances. The country's lack of employment opportunities is the main contributing reason. Poverty, the continued decline of agriculture and related industries, and even political instability are further concerns. Additionally, many believe that living conditions are better elsewhere. Both industrial growth and agricultural output are at a low point. As a result, there is a growing trade deficit since imports outnumber exports. Compared to metropolitan regions, poverty is more pervasive in rural communities. To improve their economic circumstances, more rural residents are moving overseas (Maharjan, 2023).

The National Employment Policy 2071 has emphasized reorganizing international employment agencies to provide services at the local level and training workers who want to work abroad with the right skills and training. To guarantee safe foreign employment, policy-level and institutional development initiatives should be implemented. Additionally, obligatory training should be made available so that individuals who choose to work overseas can easily attend such programs. Foreign employers demand skill-oriented training to handle credit facilities for work abroad and to fortify the monitoring system. The remittance system will be made easier to use, and with the right strategies and programs, remittance investment in productive industries will be promoted. A remittance mobilization policy will be developed for this purpose. By connecting the remittances from abroad (cash, skills, experience, and technology) to domestic output, appropriate institutional mechanisms for poverty alleviation will be implemented.

In 2018, the United Nations General Assembly established the International Day of Family

Remittances (IDFR), observed annually on June 16. Today, more than 200 million migrants are honoured for their efforts to better the lives of their 800 million family members back home and to provide their kids with a bright future. Remittances are most important in rural areas, where poverty and hunger are concentrated, and half of these flows travel there. Additionally, the Day advances the 2030 Agenda for Sustainable Development and encourages the attainment of the Sustainable Development Goals (SDGs).

5 Research Methodology

Research methodology is an overall guideline for the study. In this study, the research methodology covers the research design and secondary source of data. This study is mainly based on secondary data covering 2018 to 2023. Research is a systematized effort of any branch of knowledge. It is a movement from the unknown to the known and vice versa also a continuous process. This study systematized the secondary data published by the Ministry of Finance, Foreign Employment Board, and Research conducted by the Ministry of Labour Employment and Social Security and Nepal Rastra Bank. This study is based on an explanatory research design. Descriptive statistics is used to describe the facts and causes are explained. Descriptive research design describes the situation of certain things and is used for fact-finding processes. In universities, descriptive research design is used for studies. Descriptive research design needs simple statistical tools such as percentage, frequency, mean, median, and mode. Standard deviation and variance (Shahi, 2023). This study mainly focuses on secondary sources of data. Secondary data are collected from authorized institutions, such as the Central Bureau of Statistics, foreign ministry and economic surveys.

6 Data Presentation and Analysis

Shahi (2021) defined three methods of data analysis, such as univariate, bivariate and multivariate analysis. The study of single variables in data analysis is univariate analysis. The study of two variables are dependent and independent variables and their relationship as bivariate analysis. The study of more than two variables in the data analysis to analyze their multiple relationships is multivariate analysis.

The data collected from secondary sources during research is presented in the table and represented graphically where required.

i. Work Permit

The foreign employment trend in Nepal is increasing day by day. Nepali youths are choosing foreign lands due to a lack of job opportunities and better livelihoods. Nepal is situated between two big countries China and India, so the Nepali market is difficult to explore. Therefore, Nepal is getting support from remittance. For that, the government of Nepal adopted the policy of liberalization, privatization and globalization (LPG). The data on working approval to foreign land from 2018 to 2023 is summarized and tabulated below :-

Table 1: Work Permit

Fiscal Year	High Skilled Manpower (in %)	Professional Manpower (in %)	Semi-Skilled Manpower (in %)	Skilled Manpower (in %)	Unskilled Manpower (in %)
2018/19	0.04	0.15	8.40	35.29	56.09
2019/20	0.01	0.09	9.5	32.6	57.8
2020/21	0.05	0.23	15.08	6.80	77.81
2021/22	0.01	0.10	8.62	46.32	44.92
2022/23	0.03	0.14	7.85	65.69	26.26
Average (\bar{X})	0.03	0.14	9.89	37.34	52.58

Source: Department of Foreign Employment, 2018 to 2023

This shows that unskilled manpower occupies the maximum, whereas skilled and professional manpower occupies the minimum of the total labour permit issued during the year of the study for foreign employment. In an average, only 37.34 per cent of manpower leaving for the job are skilled however 52.58 per cent of manpower are unskilled for foreign employment. This shows that the people are desperate for employment and leave for foreign land without any skill acquisition. These behaviors create work environment risks leading to hazards and accidents in the workplace. Injury and even death of the workers are inevitable due to these actions.

ii. Gender-wise Labour Approval

Generally, males and females are nearly equal in the population census of Nepal. However, Nepali culture is based on Hindu philosophy. Therefore, foreign jobs are mainly occupied by males. The data for 2018 to 2023 is summarized and tabulated below as: -

Table 2: Gender-based New Labour Permit

Fiscal Year	Male	Percentage of male (in %)	Female	Percentage of female (in %)	Total
2018/19	215633	91.28	20578	8.71	236211
2019/20	172191	90.43	18202	9.56	190393
2020/21	64894	90.04	7178	9.95	72072
2021/22	315805	90.52	33062	9.47	348867
2022/23	303265	89.95	33879	10.04	337144
Average (\bar{X})	1071788	90.44	112899	9.55	1184687

Source: Department of Foreign Employment (2018/19 to 2022/23)

This shows that labour permits issued to males are to a greater extent proving the dominance of males to females in labour permit issuance and foreign employment. Within the study period, the lowest of 8.71 per cent of labour permits was issued to females in FY 2018/19 whereas the highest of 10.04 per cent of labour permits was issued in FY 2022/23. The enrollment of females in foreign employment was lowest in the initial year of study and increased to highest in the last year of study. The data shows that the rate of females in foreign employment is increasing with time.

1 Major Destination for a new work permit

The major destination countries for the rural youth are Malaysia, Qatar UAE, Saudi Arabia and Kuwait, whereas the major distribution for the urban youth is in America, Canada, Australia, the U.K., Japan and other European Countries. The major destination countries from 2018 to 2023 are summarized and tabulated below as: -

Table 3: Destination from Nepal for Foreign Employment

Country	2018/19		2019/20		2020/21		2021/22		2022/23	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Malaysia	9828	171	38759	400	103	4	24833	1258	170009	5139
Qatar	71322	3702	27453	2383	21076	1054	72475	4348	26433	2855
UAE	55444	7332	44698	7359	9257	2352	40916	12928	24882	9245
Saudi Arabia	44493	1857	39012	248	23234	85	125160	208	33462	59
Kuwait	14417	1578	7764	1207	2	-	19054	3732	15915	6123
Bahrain	4198	435	2892	412	2972	174	6954	638	2322	516
Oman	2401	321	1705	291	1401	155	3004	622	1215	667
Japan	870	89	808	131	468	85	1897	581	2467	783
Others	12660	5363	9100	5771	6381	32699	21512	8747	26560	8492

Source: Department of Foreign Employment from (2018/19 to 2022/23)

This shows that Saudi Arabia is the most chosen destination for foreign employment. Malaysia, Qatar, other countries, Bahrain, Oman, Japan, Kuwait and UAE are chosen in descending order for the country of foreign employment. People choose Gulf countries for foreign employment as the processing fees are minimal and the government has announced free visas and free tickets to those countries though it is less in practice. Academic qualification is not required for employment in the Gulf countries. Unskilled manpower is also easily welcomed in the Gulf countries. So, people usually opt for foreign employment in Gulf countries.

2 Labour Permit and Remittance

Table 4 shows the data on labour permits issued and the total remittance received in the same year. The total labour permits issued include new and renewal labour permits issued to Nepali migrants worldwide. The lockdown and closure of government offices and travel restrictions by various countries during the COVID-19 pandemic have negatively impacted the issuance of new labour approvals. However, subsidies like work permit extensions have benefited remittance inflow positively.

Table 4: Ratio of Remittance to labour permit

Fiscal Year	Total Labor Permit	Total Remittance Inflow (in USD billion)
2018/19	508827	879.37
2019/20	368373	875.03
2020/21	103298	961.05
2021/22	630090	1007.31
2022/23	771327	794.32
Average (\bar{X})	476383	903.416

Source: Economic Survey and Department of Foreign Employment (FY 2018/19 to 2022/23)

This shows that the remittance was gradually increasing from FY 2018/19 and remained unaffected even during the COVID-19 pandemic and decreased in FY 2022/23. But the COVID-19 pandemic impacted the labour approval procedure in Nepal in FY 2020/21. During the study, remittance did not increase despite the increase in labour permits in FY 2022/23 whereas in FY 2021/22 remittance increased despite a decrease in labour permits.

3 Remittance And National Saving

The second main source of the nation's economy is remittance. The Nepali economy is supported by foreign remittance. Some economists claim that a remittance-based economy is not good. But remittance helps to remove poverty and increase national savings which is summarized and tabulated below as: -

Table 5: Remittance received and National savings of Nepal

Fiscal Year	Total Remittance Inflow (in billion)	National Saving (in billion)
2018/19	879.37	1625.2
2019/20	875.03	1250.6
2020/21	961.05	1372
2021/22	1007.31	1431.5
2022/23	794.32	1703.8

Source: Economic survey (2018/19 to 2022/23)

In FY 2018/19, National savings are nearly double the remittance inflow. The pattern of decrease in remittance decreases the national saving followed in FY 2019/20 and the pattern of increase in remittance increase national saving is noted in FY 2020/21, 2021/22. The negative relation between remittance and national saving was noted in 2022/23.

4 Remittance and Disposable Income

Foreign employment and remittance increase directly or indirectly the income of Nepali society. People are happy in Nepal due to foreign income. The data from 2018 to 2023 is summarized and tabulated below as: -

Table 6: Remittance inflow and disposable income in Nepal

Fiscal Year	Total Remittance Inflow (in billion)	Disposable Income (in billion)
2018/19	879.37	4893.6
2019/20	875.03	4916.9
2020/21	961.05	5447.2
2021/22	1007.31	6080.5
2022/23	794.32	6739.9

Source: Economic survey (2018/19 to 2022/23)

The table shows the increase in disposable income and remittance from FY 2018/19 to 2022/23 except for the decrease in FY 2022/23. This shows that the increased remittance has increased the disposable income. However, in FY 2022/23, the decrease in remittance has not disturbed the increase in disposable income.

5 Remittance and Foreign Exchange Reserve

The Foreign exchange reserve and remittance are shown in Table 7. The data collected from the economic survey and the annual report of Nepal Rastra Bank during the period of 2018 to 2023 is summarized and tabulated as: -

Table 7: Remittance impact on Foreign Exchange reserve

Fiscal Year	Total Remittance Inflow (in billion)	Foreign exchange reserve (in billions)
2018/19	879.37	1539.4
2019/20	875.03	1215.8
2020/21	961.05	1399.0
2021/22	1007.31	1401.8
2022/23	794.32	1038.9

Source: Economic survey (2018/19 to 2022/23)

The data presented in the table shows that the foreign exchange reserve has always increased with an increase in remittance and decreased with a decrease in remittance.

6 Remittance And GDP

Remittance from migrant workers contributes continuously to the national economy. The contribution of remittance to the gross domestic product from 2018 to 2023 is summarized and tabulated below as: -

Table 8: Remittance and its contribution in GDP

Fiscal Year	Total Remittance Inflow (in billion)	Contribution of remittance in GDP (in %)
2018/19	879.37	22.8
2019/20	875.03	22.5
2020/21	961.05	22.1
2021/22	1007.31	20.4
2022/23	794.32	22.7

Source: Economic survey (2018/19 to 2022/23)

During the study, the contribution of remittance to GDP reached the highest of 22.8% in FY 2018/19 and the lowest of 20.4% in FY 2021/22. The data tabulated from FY 2018/19 to 2022/23 regarding remittance and its contribution to GDP shows that the decrease and increase in the contribution of remittance is not dependent on the amount of remittance inflow in the nation.

7 Remittance and Economic Growth

Table 9 has tabulated the remittance inflows and economic growth within five fiscal years. The data of the Human Development Index is obtained from the Human Development report published by the National Planning Commission.

Table 9: Remittance inflow and Economic growth

Fiscal Year	Total Remittance Inflow (in billion)	Economic growth (in %)
2018/19	879.37	6.7
2019/20	875.03	-2.4
2020/21	961.05	4.2
2021/22	1007.31	5.8
2022/23	794.32	4.4

Source: Economic Survey, National Planning Commission (2018/19 to 2022/23)

The Economic growth is highest in the fiscal year FY 2018/19. The data shows that the increase in the remittance during FY 2021/22 and FY 2021/22 shows an increase in economic growth. Similarly, the decrease in the remittance inflow shows a reduction in the economic growth in FY 2019/20 and FY 2022/23.

8 Remittance and HDI

World Bank report highlighted remittance and foreign employment reduced poverty in Nepal. Due to the remittance and foreign employment knowledge, skill and technology are exchanging. The human development index has also increased due to foreign employment and remittance in Nepal. The remittance and HDI from 2018 to 2023 is summarized and tabulated below as: -

Table 10: Remittance inflow and HDI

Fiscal Year	Total Remittance Inflow (in billion)	Human Development Index
2018/19	879.37	0.601
2019/20	875.03	0.611
2020/21	961.05	0.604
2021/22	1007.31	0.602
2022/23	794.32	0.601
Average	903.42	0.6038

Source: Economic Survey, National Planning Commission (2018/19 to 2022/23)

During the study period, HDI falls in the category of medium human development index. On average, the HDI index is 0.6038 and the revenue remittance amount received is USD 903.42 billion on average.

6. FINDING OF THE STUDY

From the above study, remittance has played a vital role in Nepal's national economy. Nepal is mainly based on remittance from foreign land. Although it is not a good source of the national economy practically it become vital in Nepali society.

During foreign employment, professional and highly skilled manpower has occupied a minimal percentage of the total labour permit issued in the year. On average, only 37.34 per cent of manpower leaving for the job are skilled however 52.58 per cent of manpower are unskilled for foreign employment.

In this research, it is found that males have been dominating the foreign employment market. During the study, it was found that the percentage of labour permits issued to females is between 8.71 and 10.04.

The study shows that Malaysia and Gulf countries viz. Saudi Arabia, Kuwait, the United Arab

Emirates, Qatar, Bahrain, and Oman are mostly chosen countries of destination for foreign employment.

The study shows that the labour permit and remittance inflow have direct relationships. In contrast, FY 2022/23 and FY 2020/21 show indirect relations.

The study shows that national savings, foreign exchange reserves and economic growth have a direct relationship with remittance. The study concludes that political insurgencies, poverty, unemployment, globalization, economic inequalities, and economic and environmental crises.

Globalization, economic instability, political insurgencies, scarcity of job opportunities, inability to fulfil basic needs, and various push and pull factors have contributed to labour migration in Nepal.

Generally, the study helped to understand the trend of foreign employment in Nepal.

7. CONCLUSION

Most of the migrant workers are unskilled in foreign land from Nepal. Professional and highly skilled workers are minimally from Nepal in foreign lands. Nepali youth choose foreign employment for job opportunities and better livelihoods in developed countries. Remittance generation is the main source for the government of Nepal. Modern economists claim that foreign remittance is not sustainable and good for the national economy. They suggested generating employment, industry, and marketization in the motherland i.e. Nepal. But practically remittance is the second contribution to the GDP of Nepal. Similarly, foreign employment and remittance contributed in many ways to Nepal such as dollar exchange, foreign trade balance, knowledge achievement, skilled transfer, technology advancement and so on.

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