**Role of Remittance in Economic Growth of Nepal**

A Seminar Paper

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**Kushal Baral**

**Second semester**

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**Abbreviations**

CBS - Central Bureau of Statistics

GDP - Gross Domestic Product

GCC - Gulf Cooperation Council

USD - United States Dollar

GNP - Gross National Product

MPI - Multidimensional Poverty Index

MOLESS - Ministry of Labour, Employment, and Social Security

NPHC - Nepal population and housing census

NRB - Nepal Rastra Bank

WB - World Bank

**1. Introduction**

**1.1 Background**

The main problem in developing countries is the lack of opportunities such as employment and education. People are migrating to areas with better opportunities and looking for opportunities abroad. In the present scenario, there is trend of foreign employment in developing countries. The people of developing countries migrate to foreign country in search of better employment opportunity and better lifestyle. People from one country work abroad and send money to their country. The international money transfers sent by migrant workers from the country where they work to people (usually family members) in the country of origin is known as remittance.

Remittances have played a significant role and emerged as a backbone of Nepal’s economy for decades. Foreign employment in Nepal can be traced back to the late 19th century, when Nepalese citizens began to work in British India as soldiers and laborers. The Gulf Countries like Qatar, Saudi Arabia, etc. are top countries form where most of the remittance inflows in Nepal. Foreign employment is not only helping Nepal to fight with unemployment problem but also contributing a lot by earning foreign currency and many more. Many Nepalese citizens work abroad, particularly in the Middle East and Malaysia, and send money back to their families in Nepal. Remittances have traditionally been a major source of income for many households in Nepal, and have been a key driver of the country's economic growth. Increase in remittance inflow have helped Nepal to reduce poverty and increase in living standard of people. In other hand remittance have also became a major source of income for Nepal. Remittances also contribute to the country's economic growth by increasing the amount of money available for investment. Similarly remittance is one of the constant source of income for many households of Nepal As families earn more money, they can invest in small businesses, real estate, and other ventures. This will lead to increased economic activity and job creation, which in turn will lead to an overall increase in the country's economic growth. The inward flow of remittance have been increasing in Nepal in recent years. In the past, money used to be transferred through informal channels so, its effect could not be analyzed. However, in present time mostly money is sent through formal channels & processes so, records are kept and its effect could be evaluated precisely.

**1.2 Statement of Problem**

Remittance is emerging concept and it is making important effect on the economies of developing countries like Nepal. It is a new concept so, there are still some problems prevailing like lack of information, still use of informal channels, lack of provisions, unaware of the system, etc. This hampers in the process of official data collection for finding out the volume of inward remittance in accurate figure and similarly it involves risk of swindling while sending money through improper channels. Under these situations this study will try to deal with following problem

1. What is the situation of foreign employment in Nepal?
2. What is the impact of inward remittance on the Nepalese economy and what is its contribution to the GDP of Nepal?

**1.3 Objectives of Study**

The objective of the study is to analyze the role of remittance in growing economy of Nepal. It will focus on the effect and impact of remittances on Nepal's macroeconomic indicators, such as GDP, employment & poverty which is based on the following propositions:

1. To analyze the situation of foreign employment in Nepal.
2. To analyze the impact of remittance on economic growth of Nepal.

**1.4 Methodology**

This study studies the role of remittance and its impact on the growing economy of Nepal which is based on descriptive research design. All the data used are secondary data collected from different websites of national as well as international institutions like NRB, CBS, WB, etc. Different diagrams have also been used to analyze the data and information.

**1.5 Structure of the paper**

This paper is divided into three chapters. The first chapter of this paper contains introduction of the paper which includes background of the study, statement of problem, objectives of the study, methodology and structure of the paper. The second chapter contains description and analysis which includes empirical review, theoretical review, data presentation and analysis and findings. The third chapter contains concluding remarks which includes summary, conclusion and recommendation.

**Chapter II**

**2. Description and Analysis**

**2.1 Theoretical Review**

Remittance sent by migrant workers is an effective tool in combating poverty (Shrestha, 2008). Remittance affects the economic growth positively and helps in poverty reduction (Javid et al. 2012). Remittance is the best source of income in terms of foreign exchange from developed countries to under developed countries (Shafqat et al. 2014). Remittances provide a way of poverty reduction and economic development when immigrants send remittances to the home country. Additionally, remittances can help the poor get more credit, allocate capital more efficiently, and make up for a lack of financial development. Remittances may impact economic growth through the financial sector. Remittances are used to increase national savings, ease the pressure on the balance of payments and foreign exchange, and contribute to the development budget (Ekanayake & Moslares, 2020). Remittances can increase savings and investment, leading to higher productivity and economic growth (Sutradhar, 2020). There is a positive and significant relationship between remittances and economic growth and the contribution of workers' remittances is very important in economic growth. This is because productive use of remittance can help a country's economy to maintain and increase economic growth by allocating this money into consumption and investment (Romadona et al., 2021).

**2.2 Empirical Review**

Pant (2006) explored remittance inflows to Nepal: Economic impact and policy options using descriptive analysis method. Remittances have been an important way to support families at home. As the number of workers going abroad for employment continues to grow, a corresponding increase in remittances has become a significant foreign exchange flow to Nepal. This is in part the result of steps taken by relevant authorities to streamline the financial system, deregulate and create incentives to attract remittances, especially through public channels. Economic growth, interest rates, and exchange rate policies are the main determinants of remittance inflows. It is imperative that the policy encourages remittance inflows to further facilitate the inflow of remittances into the country through official channels and to facilitate the trend of converting these remittances from foreign exchange to local currency.

Srivastava & Chaudhary (2007) examined the role of remittances in Nepal's economic development. Analyzes were performed using linear and log-linear models under multiple regression. Impact of remittances were most prominent in GDP and GNP in both nominal and real terms.

Shrestha (2008) analyzed the contribution of foreign employment and remittances to the Nepalese economy. He concluded that migrant worker remittances are an effective tool in combating poverty. Employment of foreigners is good for the economy, but it is not well equipped to support the rising trend of immigration. The government should play an active role in promoting foreign employment by adopting and maintaining a policy of economic diplomacy.

Pant (2011) explores the exploitation of remittances for productive purposes in Nepal. He concluded that remittances contribute significantly to the national economy. Money sent home by migrants affects development at both the household and national levels. At the household level, remittances help reduce poverty, improve living standards and raise educational attainment. At the macro level, remittances can be used for entrepreneurship and productive investment, thereby increasing people's employment opportunities and income. Remittances help increase foreign exchange reserves and improve current account positions.

Javid et al. (2012) have analyzed an impact of remittances on economic growth and poverty where analysis were performed under multiple regression. The study focused on the importance of remittances inflow and its implication for economic growth and poverty reduction in Pakistan. The empirical evidence showed that remittances affect economic growth positively and significantly. Furthermore, the study also found that remittances have a strong and statistically significant impact on poverty reduction. So, the importance of remittance inflows cannot be denied in terms of growth enhancement and poverty reduction that consequently improves the economic condition of the recipient country.

Maharjan et al. (2013) have conducted a survey among small farm holders with migrating family members in the Western Mid Hills of Nepal to see the impact on remittances on subsistence agricultural production. They find mixed results. They found negative impact of remittance on major subsistence crops and labor whereas they also found positive impact on hired labor and no impact on material inputs.

Shafqat et al. (2014) stressed on the promotion of economic growth in remittance recipients countries which is widely effected by the workers remittances. In order to explore the relationship between worker remittances and economic growth, multiple regression analysis was used in the study. Several tests and multiple regression analysis conducted revealed that workers remittance positively and significantly contributed in economic growth. Thus, it was examined that remittance was the best source of income in terms of foreign exchange from developed countries to under developed countries.

**2.3 Issues**

Nepal is largely dependent on remittance inflows as a source of foreign currency and as a significant contributor to the nation's GDP. Despite the large contribution of remittances to the economy, there are several issues that need to be addressed in order to ensure that it is used in a productive and sustainable manner. The issues are discussed below:

1. Nepal loses important human capital as a result of skilled workers leaving the country in search of better employment possibilities overseas. In the long term, this might prevent the nation's economy from expanding by causing brain drain.
2. Despite the large inflow of remittances, the impact on the economy's productive sectors, such as agriculture and manufacturing, is limited. This may prevent Nepal’s attempts toward economic diversification and long-term progress. Exchange rates can affect the value of remittances, which can have a substantial impact on the economy and the spending power of receivers.
3. Nepal's over reliance on remittances can lead to lack of focus on other possible sources of economic growth, such as foreign direct investment and export-oriented sectors. This reliance can also constrain the government's ability to respond to external shocks and changes in global economic conditions.
4. Remittances are also vulnerable to money laundering, as the money is often sent through informal channels like hundi and hawala rather than formal channels like banks, which makes it difficult to track.
5. Remittance inflow has also contributed to higher living costs in Nepal. Many of the Nepalese who receive remittances use them to support their families, but they often spend the money on non-essential items such as luxury goods and services. Remittance inflow increases the demand for such goods and services, which can lead to inflation.
6. Remittances can also contribute to rising inequality in Nepal. If a large portion of the population is receiving remittances, it can lead to a widening gap between those who are receiving money and those who are not.

**2.4 Data presentation and Analysis**

Nepal is a low income country with a population size of 2,91,64,578 (NPHC 2021a) and GDP Per Capita of just $1208.2 USD in 2021 (WB, 2021a). Nepal has been a source and a destination country for migration for decades. Different factors play a vital role for migration in Nepal. Social factor, economic factor and political factor are mainly responsible for migration in Nepal. The scarcity of job opportunities and low wages in Nepal have encouraged people to look abroad for job opportunities. Many Nepali migrant workers are employed in construction, hospitality and domestic work in gulf countries like Saudi Arabia, Qatar, Kuwait, Malaysia, etc. to join their hands to mouth and earn for their living. Nepal, where agriculture remains a major source of livelihood exports human manpower to foreign country, and most of the households depend on at least one member’s income from abroad. Similarly political instability, political riots, frequent change in government and corruption are also the main drivers for the migration in Nepal. Due to the trend of foreign employment in Nepal, migration is seen in a large number. The net migration rate for Nepal in 2021 was 3.636 per 1000 population, a 24.52% increase from 2020 and the net migration rate for Nepal in 2022 was 4.353 per 1000 population, a 19.72% increase from 2021 (Macro trends 1950-2023).

***2.4.1 Trend of Foreign Employment:***

Nepalese citizen go to different countries for employment and send remittance from there to their family members. Remittance from foreign employment is an important factor of economic development in Nepal. Remittance has emerged as a backbone of Nepal’s economy. Nepal is one of the poor and least developed countries in the world. Nepal is heavily dependent on remittances which values to 22.7% GDP of Nepal (WB, 2021b). The number of people going abroad for foreign employment have drastically increased in recent years. The data is presented in the following table.

**Table 1**

*Trend of Foreign Employment in Nepal*

|  |  |
| --- | --- |
| Fiscal Year | Number of employees |
| 2011/12 | 3,84,665 |
| 2012/13 | 4,53,443 |
| 2013/14 | 5,27,814 |
| 2014/15 | 5,12,887 |
| 2015/16 | 4,18,713 |
| 2016/17 | 3,83,493 |
| 2017/18 | 3,61,941 |
| 2018/19 | 2,36,293 |
| 2019/20 | 1,94,045 |
| 2020/21 | 1,31,038 |

*Source:* Economic Survey 2020/2021

**Fig. 1**

*Trend of Foreign Employment in Nepal*

Economic Survey 2020/2021

The data presented in the above table and figure represent the trend of foreign employment in Nepal. From year 2011/12 to 2013/14, there is increase in the number of employees, with a growth from 3,84,665 to 5,27,814. However, in 2014/15, there is a decrease of employees to 5,12,887. It can also be seen that, the number of employees, dropped from 4,18,713 to 2,36,293 from 2015/16 to 2018/19. Similarly, data further shows a decrement in the number of employees in 2019/20 to 1,94,045, and a 1,31,038 in 2020/2021. The last two fiscal shows a high decrement in number of employees which can possibly be due to COVID 19.

***2.4.2 Countries of Destination***

The six Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)—and Malaysia host the vast majority of Nepali migrant workers. These seven countries have consistently been providing employment to more than 80 percent of Nepali migrant workers since 2013/14, and are also the countries from where Nepali workers receive the highest demand (MOLESS, 2022). In the first four month of fiscal year 2019/20, the top three countries from where the remittance was highest were Qatar with 53.93 billion, India with 43.16 billion and UAE with 40.87 billion (MOLESS 2022).

**Table 2**

*No of Nepalese workers in different countries for Foreign Employment (in percent)*

|  |  |
| --- | --- |
| Countries of Destination | Percentage |
| Qatar | 26.7 |
| Malaysia | 27.6 |
| Saudi Arabia | 20.8 |
| UAE | 14.0 |
| Kuwait | 3.3 |
| Bahrain | 1.3 |
| Oman | 0.8 |
| Others | 5.5 |

*Source*: Economic Survey 2021/22

**Fig. 2**

*No of Nepalese workers in different countries for Foreign Employment (in percent)*

*Source*: Economic Survey 2021/22

The data presented in the table and figure from economic survey 2021/22 shows that among different countries of destinations, Malaysia stands at top holding 27.6% of Nepali’s workers, making it the most popular destination for foreign employment. Similarly, the next popular countries for foreign employment are Qatar Saudi Arabia and UAE holding 26.7%, 20.8% and 14.0% of Nepali’s workers respectively. These countries likely offer significant employment opportunities and attract Nepalese workers due to their growing economies and demand for foreign labor. Kuwait, Bahrain, and Oman have smaller percentages of Nepalese workers holding 3.3%, 1.3%, and 0.8% respectively, suggesting a comparatively lesser demand or preference. The remaining 5.5% represents other destinations with lower percentages of Nepalese workers. About 90 percent of Nepali’s who have been to foreign employment are working in Malaysia, Qatar, Saudi Arabia and UAE which are the major destinations for foreign employment.

***2.4.3 Remittance Received:***

Due to foreign employment and migration, the inward flow of remittance has been increasing in Nepal. Over the past years it has been seen that the inflow of remittance has been increasing in Nepal covering a large portion of GDP. In 2019 remittance covered 24.1%, in 2020 remittance covered 24.3% and in 2021 remittance covered 22.7% GDP of Nepal (WB, 2021b). The remittance inflow was 874.9 billion in fiscal year 2019/20, 961.2 billion in 2020/21 and 1,007.31 billion in 2021/22 (MOLESS 2022). Remittance is one of the major source of income of Nepal. Citizen from Nepal go for foreign employment and send remittance to their family members. Remittance contribute to a large portion in Nepal’s GDP and Nepal’s GDP is highly dependent on remittance sent by the people. Nepal has seen tremendous growth in recent years. Nepal is the sixth-biggest remittance recipient in South Asia. The economic growth and development of Nepal has been credited to the increased migration of Nepalese workers and the better remittance services in the country. The rising remittances are also an indication of the growing reliance of the Nepalese economy on migrant workers and remittances. Nepal is the 14th largest remittance receiving countries globally (The Global Economy).

**Table 3**

*Personal Remittance Received (In USD)*

|  |  |  |
| --- | --- | --- |
| Year | Amount in Billion(USD) | |
| 2002 | 0.678 |
| 2003 | 0.771 |
| 2004 | 0.822 |
| 2005 | 1.21 |
| 2006 | 1.45 |
| 2007 | 1.73 |
| 2008 | 2.73 |
| 2009 | 2.98 |
| 2010 | 3.44 |
| 2011 | 4.2 |
| 2012 | 4.7 |
| 2013 | 5.58 |
| 2014 | 5.8 |
| 2015 | 6.73 |
| 2016 | 6.61 |
| 2017 | 6.93 |
| 2018 | 8.29 |
| 2019 | 8.24 |
| 2020 | 8.11 |
| 2021 | 8.23 |
| 2022 | 9.29 |

*Source:* WB, 2022

**Fig. 3**

*Personal Remittance Received (In USD)*

*Source:* WB, 2022

The data presented in the table and figure represents remittance received by Nepal in billion in terms of USD. In the year 2002 the remittance amounted 0.678 billion USD. As the trend of foreign employment between the youths flourished, the inflow of remittance also increased gradually. The inflow of remittance increased from 0.771 billion (year 2003) to 8.29 billion USD in year 2018. However the amount of remittance inflow decreased from 8.24 (year 2019) billion to 8.11 billion in year 2020 due to inflow of COVID 19. However remittance in flow increased in year 2021 amounting 8.23 billion and 9.29 billion in 2022 as the situation became normal.

***2.4.4 Remittance and Reduction in Poverty:***

According to the National Statistics Office, remittances contributed significantly to reducing poverty headcount from 42 per cent in 1995 to 25 per cent in 2010 (CBS 2012). Nepal reduced its multidimensional poverty drastically to 17.4 percent in 2019 from 30.1 percent in 2014 (MPI 2021). As remittance is a major part of country’s income, remittance also has significant effect in reducing poverty in recent years. Byanjankar & Sakha (2021) has found “about 1 in every 5 households in rural Nepal are poor and remittance has played a catalyst role in reducing poverty. 20.2 percent of households not receiving remittance are poor, which is greater than those of remittance receiving households with 19.0 percent”.Remittances are helping to combat poverty by increasing family incomes and providing access to health care and education. Remittances are also helping to reduce inequality in Nepal by providing families with money to invest in their businesses and livelihoods. Remittances are also helping to create jobs in Nepal. Many families use the money they receive in remittances to start their own businesses. This is helping to create employment opportunities and provide additional income to Nepalese families. In many cases, individuals are able to start businesses with the money they receive in remittances, which provides an important source of income to many people in Nepal. Remittances are also helping to increase financial inclusion in Nepal. By providing families with access to funds, remittances are helping to build financial systems in Nepal. This is providing families with access to credit, which can be used to start businesses or access other services. Overall, remittances are playing an increasingly important role in reducing poverty in Nepal. Remittances are helping to increase family incomes, create jobs, and provide access to health care and education.

***2.4.5 Foreign Employment and Reduction in Unemployment***:

One of the major factors contributing to the decrease in unemployment in Nepal is the rise in foreign employment opportunities. The situation in Nepal has improved due to the increasing number of labour migrants travelling abroad for work. This has enabled more people to access employment abroad, allowing them to earn a substantial income and improve their economic situation.

Foreign employment opportunities provide a wide range of benefits to both individuals and Nepal as a whole. These jobs provide an avenue for Nepal’s working population to seek employment and earn income, relieving the burden of unemployment in the country. The increased labour migrants have allowed Nepal to gain an inflow of remittances which are much needed to support its economy. Furthermore, the labour migrants also gain invaluable skills and experiences that can be utilized to up lift Nepal’s economy. Migrants send back remittances not only to family members in Nepal but also invest directly in the country. This helps to promote economic growth and provides people with economic security. This in turn gives them more opportunities to invest in businesses and create jobs within the country, which helps reduce unemployment. It is clear that the increase in foreign employment opportunities has helped to reduce unemployment levels in Nepal significantly.

***2.4.6 Remittance and Improved Health Services:***

Increase in remittances has allowed more people in Nepal to access quality health services. More remittances have allowed people in Nepal to be able to pay for the cost of health care, which has led to better health outcomes in Nepal overall. The increased remittances has helped reduce poverty, allowing people to receive better health care. People with more money are more likely to access higher quality health care, which is far more beneficial for their overall health. Furthermore, increased remittances have enabled people to have access to preventive health care. For example, through higher remittances, people are able to pay for immunizations, which helps to prevent illnesses and diseases. The increased remittances have enabled Nepal to increase its focus on public health, as more people can now access health care facilities. This has allowed health services in Nepal to improve, with more hospitals and clinics being set up. This has led to more effective treatment of illnesses, allowing diseases to be treated faster and more efficiently.

***2.4.7 Remittance and Access to Education:***

Increasing remittances have allowed more people to send their children to school, improved the quality of school facilities, and boosted expenditures on educational materials such as books and computers. In addition, remittances have allowed more schools to provide scholarships and improved teacher salaries and conditions. As a result, the enrollment rate in Nepal has increased significantly in recent years, and the country has achieved gender parity in primary and secondary school enrollment. Remittances have also contributed to a decline in student dropout rates and to improvements in the quality and relevance of education at all levels. People from rural area come to urban area in search of education. Nepal's literacy rate has increased from 65.9 to 76.3 percent, compared to the year 2068 BS (NPHC 2021b)

***2.4.8 Foreign Employment, Remittance and its Overall Impact:***

Nepal is one of South Asia's poorest countries, with high unemployment and poverty rates, forcing many Nepali citizen to look for work abroad. As a result, foreign employment has become an important source of income for the country, with remittances accounting for high percentage in country’s GDP. Despite the economic benefits, Nepalese migrant workers face many challenges including exploitation, abuse and trafficking. Many foreign employment agencies and employers take advantage of vulnerable Nepalese workers by making false promises and charging exorbitant fees. This results in forced labour, poor working conditions and unpaid wages. In some cases, Nepali workers get physically and sexually abused, and some even lost their lives due to poor working conditions. To address these challenges, the Government of Nepal has implemented several policies and programs aimed at regulating and promoting safe and legal migration.

Labour migration is a phenomenon dominated by men with women accounting for less percent of the total number of new labour approvals issued. The six GCC countries Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates and Malaysia host the vast majority of Nepali migrant workers. These seven countries have consistently been providing employment to more than 80 per cent of Nepali migrant workers since 2013/14, and are also the countries from where Nepali workers receive the highest demand (MOLESS 2022). However, India, Japan and USA are the countries providing employment to Nepali citizens after GCC.

It can also be said that remittance is the key driver of Nepalese economy as Nepal is small import based country. Remittance inflows have aided Nepal in lowering poverty and raising living standards. For the purpose of paying for necessities like food, shelter, and education, many households rely on remittance money. By giving lower-income households more purchasing power, remittance money has also contributed to the reduction of income inequality. Remittance inflows have thereby contributed to the reduction of poverty and the improvement of many Nepalese individuals' quality of life. Remittances have boosted domestic investment and consumption, which has helped the economy thrive. Remittance money has allowed people to boost their consumption of goods and services, which has increased demand across various economic sectors.

Remittance money has also been utilized to launch enterprises or buy real estate and land for investment objectives. These investments have increased economic activity and produced employment, which has helped the economy as a whole. Remittances have been extremely important to Nepal's balance of payments. Remittance inflows have helped Nepal manage its trade deficit by giving the country a steady stream of foreign money. The inflow of foreign money has aided in maintaining a stable macroeconomic climate and stabilizing the value of the Nepalese rupee. Remittance has also helped to reduce the dependency on foreign aid, which has been a significant challenge for Nepal. Similarly, the flow of remittances has helped to strengthen the balance of payments position of Nepal. It has contributed to the foreign exchange reserves of the country, which is essential for international trade**.**

The proportion of remittances is increasing gradually due to the large number of young people going to work abroad. There is a problem of lack of labor for agriculture and other jobs leading to families' dependence on remittances. Many remittance recipients come from rural areas and often do not have enough financial literacy to save and invest their income. This can lead to further widening of the economic gap between rural and urban areas, weakening the economic and social fabric of the country. Since a large part of Nepal's GDP depends on remittances, if the inflow of remittances is disrupted, the Nepalese economy will experience a negative impact and can collapse**.**

**2.5 Findings:**

The main Findings of the study are:

1. Remittances contribute to large portion of GDP of Nepal and it plays an important role in the economic growth of Nepal.
2. Remittances have helped the Nepalese government to increase its revenues due to which, the government has been able to use the money to various development projects and provide basic services to the people.
3. Remittance have played important role in improving health sector and education sector of Nepal.
4. The remittance income has enabled the Nepalese people to purchase essential goods and services, invest in productive sectors, and create jobs. This has enabled the Nepalese people to increase their incomes and reduce poverty.
5. Remittances have been an important source of income for many families in Nepal. It has enabled them to meet their basic needs such as food, clothing, education and health care.
6. Remittances have enabled the government to invest in infrastructure projects, which has in turn improved the overall economic growth of Nepal. This has resulted in an increase in the GDP of Nepal.

**Chapter III**

**3. Conclusion**

**3.1 Summary**

Remittance from foreign employment are the main cause growth in economic activity of Nepal. The inflow of remittance has helped Nepal in different ways like poverty reduction, increase in foreign reserve, increase in domestic investment, increase in living standard of people, etc. the result of increase in remittance has made the availability of foreign currency in the local market, which led to increase in national saving. Remittance and foreign employment are playing a significant role in maintaining the macroeconomic stability of the nation. The growing trend of young people moving abroad to work and their reliance on remittances has had both positive and negative effects on the Nepalese economy.

Remittances have made a significant contribution to the decline in unemployment and poverty. Remittance has helped to reduce poverty and inequality in Nepal, resulting in an improved Human Development Index and an overall better quality of life for citizens. Remittance has contributed to a significant rise in consumer spending and private investment in Nepal, which has a direct effect on the country’s GDP. The majority of Nepal's foreign currency comes from remittances. In order to use remittances received in Nepal in productive and investment sectors, the government should develop and implement policies that do so. The government should create a favorable investment environment for remittance income. The creation and implementation of a suitable remittance policy can aid in boosting the economy of Nepal.

Remittance inflow is increasing due to the large number of youth working in foreign land. The problem of shortage of labour for agriculture and other works has resulted dependencies of families on remittance. Nepalese economy is transforming into consumption oriented economy due to remittance, resulting more imports than export. Many people who are receiving remittance are from rural areas and often do not have an adequate level of financial literacy to save and invest their income. This can lead to a further widening of the economic gap between rural and urban areas, weakening the social and economic structure of the country.

**3.2 Conclusion**

Many households in Nepal receive remittance from abroad. Remittances have contributed to an increase in consumption levels and enabled households to obtain better health care, nutrition, education and housing. Due to foreign employment, the inward flow of remittance has increased significantly in recent years. Remittance is the primary source of livelihood for rural households. Remittances from abroad work are the primary driver of Nepal's economic growth. Remittances have aided Nepal in a variety of ways, including poverty reduction, a rise in foreign reserves, an increase in domestic investment, an improvement in people's living standards, and so on. The growth in remittances has increased the availability of foreign cash in the domestic market, resulting in an increase in national saving. Remittances and foreign employment play an important influence in the country's macroeconomic stability. The rising tendency of young people travelling overseas to work and relying on remittances has had an impact on the Nepalese economy, both positively and negatively. As a large portion of Nepal’s GDP is dependent on remittance, if the remittance inflow is interrupted the Nepalese economy will face an adverse effect and it will fail soon. Due to increasing inflow of remittance Nepalese economy is shifting to remittance dependent economy and import based economy. So, government must analyze the effect of remittance in the country and prepare and adopt necessary policies and plans.

In overall, remittance can be a double-edged sword in term of Nepal’s economic growth. While it provides an important source of income and can contribute to economic growth, it can also lead to a number of unintended consequences which can also drag the economic growth. Hence, it is important to carefully manage the flow of remittance in order to maximize the economic benefits and minimize the negative impacts. Remittances can generate positive effects on the economy through various channels such as savings, investment, growth, consumption, and poverty and income distribution.

**3.3 Recommendation**

Based on the above study, the following recommendation should be adopted for effective use and management of remittance:

1. Remittance is contributing a large portion in GDP of Nepal, so government should provide skills and trainings required for the workers according to their work.
2. Most of the migrant workers prefer to send money through informal channels so, government should motivate workers to send money through formal channel by providing incentives or benefit for those using formal channels. It will also help in keeping accurate and original data for the government.
3. Most of the remittance recipients are from rural area, so government should educate the people to invest the money in productive sector and creation of small business rather than spending it to buy luxury goods.
4. Government should make policies to provide loan in minimum interest rate to people willing to go for foreign employment due to which remittance could be used in productive sector rather than for loan repayment.
5. Government should identify new destination countries for employment where workers will earn more money than in gulf countries.
6. As the major percentage of Nepalese population is still dependent in agriculture, the government should focus in importing advanced technologies for agricultural development using money received from remittance.

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