



## Migrant Workers' Savings, Remittance Transfers and Remittance Use in Nepal

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### SYNOPSIS

Using data from a sub-national survey of 1225 households in Koshi Province, this brief discusses Nepali migrant workers' earnings from overseas employment and households' remittance-spending behaviour.

### BACKGROUND

Remittance inflows into the home country is an important contribution of labour migration. Nepal has consistently received remittances equivalent to about a quarter of its gross domestic product (GDP) since 2012 and an amount of USD 8.1 billion was still remitted to Nepal in 2020 despite the disruptions caused by the COVID-19 pandemic.<sup>1</sup> Remittances have significant impacts on the socio-economic conditions of the migrant households as well as the national economy. Remittances contribute to the well-being of recipient households by improving consumption and access to basic amenities.<sup>2</sup> Remittances have also been a reliable source of foreign currency in Nepal and have helped overcome deficits resulting from a highly import-dependent economy.

The Government of Nepal has been paying increasing attention to migrant remittances owing to the important role they play in economic development and poverty alleviation.<sup>3</sup>

As such, the government has prepared various plans, policies and strategies for the use of remittance in capital formation, employment generation, and enhancing contribution to the national economy by increasing production and productivity.<sup>4</sup> It is in this context that this brief discusses earnings and remittance transfers of migrant workers who were employed or returned from abroad at the time of the survey. The brief also discusses the remittance-spending behaviour among migrants and their families.

### METHOD

The policy brief draws upon the findings of a sub-national survey conducted in March and April 2021 on the status of migration in Koshi Province (then, Province 1).<sup>5</sup> The data was collected from 1225 households in the Province through multi-stage probability sampling. The data from the survey is



generalisable at the province level with  $\pm 2.8$  per cent margin of error at a 95 per cent confidence level.

## KEY FINDINGS

### Remittance amount varies by country of employment

It was found that 60 per cent of the migrant workers had sent remittances to their households within a year prior to the survey. The remitted amounts were significantly lower for migrants based in India in comparison to those in the Gulf Cooperation Council (GCC) countries and Malaysia. The workers in Malaysia and GCC countries sent identical amounts of remittances in a year. A third of the migrants working in the GCC countries and Malaysia had sent home more than NPR 200,000 in a year while about the same proportion of workers had sent only NPR 100,000 or less (Table 1).

The average remittances received in a household from each migrant varied across countries and even within the GCC; while workers in Qatar transferred NPR 120,000 annually on average (median), those employed in Kuwait transferred NPR 200,000, similar to the workers in Malaysia (Table 2).

Those working in South Korea, Macau and Romania sent home over NPR 500,000 in a year while the workers in India sent home only NPR 23,000 on average (Table 2).

### Average earnings in a migration stint

Workers in the GCC countries earned (after deducting living expenses in the destination country) NPR 331,000 on average in one migration stint while those in Malaysia made NPR 42,000 more. For that kind of income all these workers had to work for about four years on average (Table 3).

**Table 1: Remittances Received by Migrant Households in Previous 12 Months (%)**

	India	GCC countries	Malaysia
Less than NPR 10,000	-	-	4.8
NPR 10,001-20,000	50.0	1.3	2.4
NPR 20,001-50,000	25.0	11.3	9.5
NPR 50,001-75,000	-	9.3	9.5
NPR 75,001-100,000	12.5	11.3	7.1
NPR 100,001-200,000	-	32.0	31.0
More than NPR 200,000	12.5	34.7	35.7
<b>N</b>	<b>8</b>	<b>150</b>	<b>42</b>

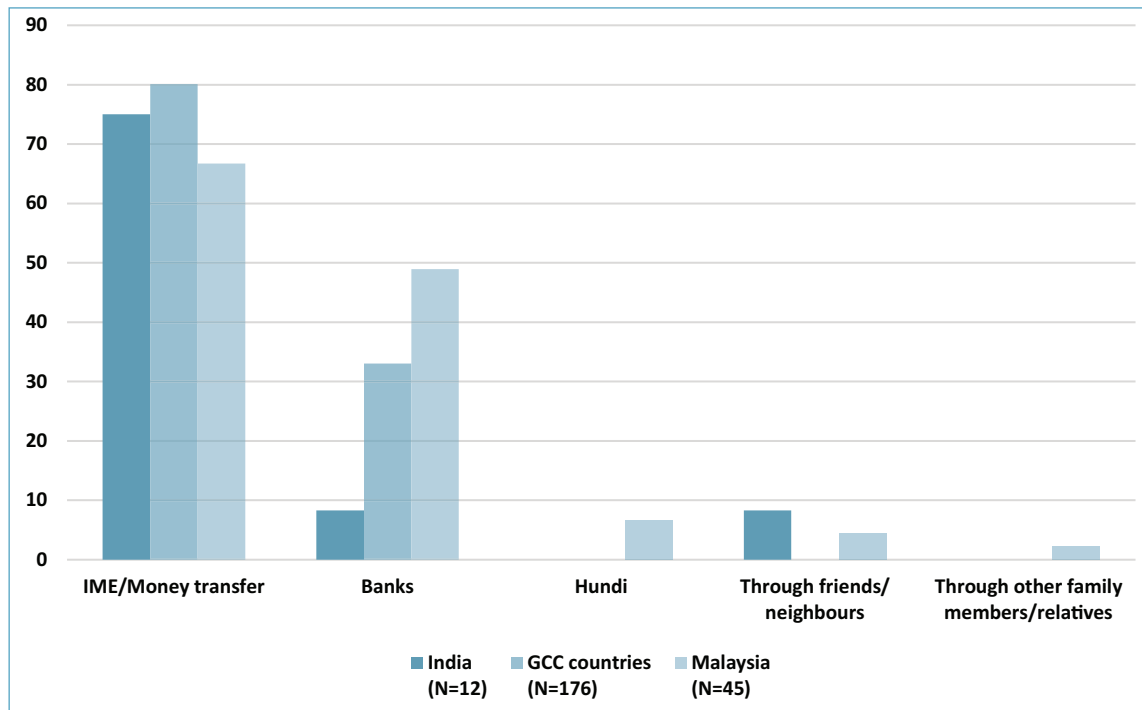
**Table 2: Median Remittances Received by Migrant Household in Previous 12 Months (in NPR)**

	Average (median)	Minimum	Maximum	N
<b>GCC countries</b>				
Bahrain	150,000	60,000	400,000	<b>11</b>
Kuwait	200,000	25,000	500,000	<b>20</b>
Oman	160,000	160,000	160,000	<b>1</b>
Qatar	120,000	25,000	600,000	<b>40</b>
Saudi Arabia	170,000	15,000	800,000	<b>36</b>
UAE	150,000	15,000	600,000	<b>42</b>
<b>Other countries</b>				
Malaysia	200,000	5,000	700,000	<b>42</b>
India	23,000	12,000	360,000	<b>8</b>
South Korea	535,000	40,000	1,200,000	<b>8</b>
Romania	600,000	300,000	800,000	<b>3</b>
Hong-Kong	240,000	180,000	300,000	<b>2</b>
Macau	650,000	600,000	700,000	<b>2</b>

**Table 3: Average Amount Earned in One Migration Stint**

	Average income (NPR)	Average duration of migration (in years)	N
GCC Countries	331,243	4.2	<b>183</b>
Malaysia	373,283	3.8	<b>90</b>
India	130,444	4.8	<b>9</b>
Other countries (Iraq, Maldives, South Korea, Algeria)	471,282	2.0	<b>7</b>

Figure 1: Medium of Remittance Transfer (%)



### Most migrant workers use formal channels to transfer money home

Most migrant workers across all destination countries used formal channels, such as banks and money transfer service providers to send money home (Figure 1). A smaller proportion of migrant workers in this study reported having used *hundi*<sup>6</sup> or to have sent money through friends or relatives.

### Remittances and savings of migrant workers are spent variably

Irrespective of the country of employment of the migrants, workers and their family used remittances for multiple purposes but primarily to meet daily household needs, pay for education and health treatment of the family, and repay loans. Two-fifths of the households which received remittances from migrant workers in the GCC and Malaysia reported the use of remittance for repaying loans, suggesting a huge financial

burden on migrant households due to high recruitment fees (Table 4).

The remittance use patterns were not significantly different across caste and ethnic groups, but it was noteworthy that Hill Dalits and Hill and Mountain Janajatis were least likely to use remittances to buy land or a house (Table 5).

A smaller proportion of households with migrants in the GCC and Malaysia invested the remittance income to buy land (about 14 per cent), while there were no households with migrant family members in India doing the same, indicating the comparatively low income stream in India (Table 4; also Tables 2 & Table 3). Migrant households also invested the remittance income in agriculture and non-agriculture sectors (Table 4).

## RECOMMENDATIONS

Based on the findings of the study, the following recommendations have been made:



**Table 4: Use of Remittance by Source Country of Remittance (%)**

	India	GCC	Malaysia
Daily expenses	87.0	81.9	80.5
Health treatment of family members	39.1	23.8	21.4
Education of children and siblings	26.1	47.4	34.4
To repay loans	17.4	44.4	40.3
To build or renovate the house	13.0	22.6	17.5
Savings	8.7	10.9	3.2
Money-lending	8.7	6.9	9.1
To buy gold and other accessories	4.3	1.7	1.9
Investment in agriculture	4.3	6.7	7.1
Investment in non-agriculture	4.3	1.0	1.3
Social obligations	4.3	4.0	6.5
Consumer goods	-	7.7	5.8
To buy house/land	-	14.1	13.6
Others	-	0.7	0.6
Preparation for re-migration	-	1.0	-
<b>N</b>	<b>23</b>	<b>403</b>	<b>154</b>

Multiple responses

**Table 5: Use of Remittance by Caste/ethnicity (%)**

	Mountain/Hill Janajati	Hill Caste	Hill Dalit	Tarai Janajati	Tarai Caste	Tarai Dalit	Muslim
Daily household expenses	83.0	78.9	83.7	85.6	79.4	81.0	83.3
To pay loans	41.5	39.5	46.5	28.9	41.2	33.3	50
Education of children/siblings	40.1	43	51.2	47.8	29.4	28.6	66.7
Health treatment of family members	24.1	28.7	37.2	22.2	8.8	9.5	0
To build/renovate the house	15.6	21.5	9.3	32.2	11.8	14.3	0
To buy house/land	9.6	13.9	9.3	14.4	20.6	19	0
Money-lending	8.2	4.9	4.7	8.9	2.9	0	16.7
Savings	6.4	9.9	7.0	11.1	11.8	9.5	16.7
Consumer goods	5.3	6.7	2.3	11.1	5.9	4.8	16.7
Investment in agriculture	5.3	8.5	11.6	8.9	0	0	16.7
Social obligations	3.9	6.3	9.3	1.1	0	4.8	0
To buy gold and other accessories	1.8	1.3	0	4.4	0	0	0
Investment in non-agriculture	1.1	0.4	4.7	1.1	2.9	0	0
Others	1.1	1.3	0	0	0	0	0
Don't Know	1.1	1.3	7	1.1	0	0	16.7
Preparation for re-migration	0.4	0.9	2.3	0	0	0	0
<b>N</b>	<b>282</b>	<b>223</b>	<b>43</b>	<b>90</b>	<b>34</b>	<b>21</b>	<b>6</b>

Multiple responses

- **Support for investment of remittances:** Migrant workers can benefit from investment and advisory services for enterprise development. They can be given orientation about labour market demand and micro, small, and medium-sized enterprise development while also considering the human and social capital they bring back with them. Enhancing returnee migrants' access to subsidised loans is another essential step to support entrepreneurship.
- **Bring remittances into the formal sector:** Although most migrant workers from Koshi Province used formal channels to transfer remittance, there are still some who use informal channels to send money home. Provision of premium interest rates on remittance can help promote the use of banks and other financial institutions to remit money. Migrant workers and their families should be made aware about such initiatives, including through pre-departure orientation training and general financial literacy programmes. It must also be ensured that migrant workers and their families have access to and knowledge of banking facilities by expanding the banking infrastructure into rural areas. Such a step can also contribute to increasing the use of formal channels in remittance transfers.
- **Reduce migration cost:** Since migrant households must set aside a significant portion of the remittances received to repay loans incurred in the migration process they are unable to invest remittances in economic sectors that provide returns. Thus, it is important that the policies and programmes for reducing migration cost are incorporated in any initiatives targeted at improving the use of remittances in Nepal.

## Endnotes

1 'Personal Remittances, Received (% of GDP) – Nepal,' World Bank, accessed 8 February, 2022, <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=NP>; 'Personal Remittances, Received (current US\$) – Nepal,' World Bank, accessed 8 February, 2022, <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=NP>.

2 Sridhar Thapa and Sanjaya Acharya, 'Remittances and Household Expenditure in Nepal: Evidence from Cross-Section Data,' *Economies* 5, No. 16 (2017); Juna Mathema, *Bipreshan ko Prabhakkaari Upayog 2076: Adhyan Pratiwedan* [Productive Use of Remittances 2076: Study Report] (Kathmandu: Foreign Employment Board, Government of Nepal, 2019).

3 Nara Hari Dhakal and Amina Maharjan, *Approaches to the Productive Use of Remittances in Nepal* (Kathmandu: ICIMOD, 2019).

4 Ministry of Labour, Employment and Social Security, *Nepal Labour Migration Report 2020* (Kathmandu: Ministry of Labour, Employment and Social Security, Government of Nepal, 2020); National Planning Commission, *Fifteenth Plan: Fiscal Year 2076/77-2080/81* (Kathmandu: National Planning Commission, Government of Nepal, 2020).

5 Arjun Kharel, Sadikshya Bhattarai, Dogendra Tumsa, Shalini Gupta and Pawan Sen, *Province 1 of Nepal: Migration Profile* (Kathmandu: SDC and CESLAM, 2022).

6 *Hundi* is an informal method of money transfer still prevalent in Nepal and other South Asian countries. Under this system, money is transferred through a series of intermediaries operating outside legal purview.



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